



FINAL REPORT:
ARTS, CULTURAL AND EVENT CENTER
MARKET STUDY

May 15, 2019



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Please Note: this report relies on a variety of information and assumptions to develop market, financial, and economic projections. Sources of information and assumptions include, but may not be limited to, information provided by the City, input and opinions provided by relevant third parties, Victus Advisors' industry experience and previous studies, and publicly available data from various industry sources. Any such information collected by Victus Advisors has not been audited or verified and has been assumed to be correct. There will be differences between actual events and the projections contained herein, and we express no assurances of any kind related to any projected information. Differences between projections and actual events may be material.



EXECUTIVE SUMMARY

Project Background - Victus Advisors was engaged by the City of Thornton, Colorado (“Thornton” or the “City”) in October 2018 to conduct an independent Market Study for a new multi-use arts, cultural and events center.

Project Goals - Our primary project goals for this study include:

- Estimate market demand for a new facility that would be beneficial to the local community and the greater Denver market
- Analyze the differences between a community-focused arts venue and a revenue-focused theater
- Recommend market-supportable building type and program
- Forecast usage and event days for the proposed facility
- Project the potential financial operations of the proposed facility
- Analyze the potential economic and fiscal impacts of a new multi-use arts, cultural and events center

Previous Study - In 2018, the City of Thornton engaged Barker Rinker Seacat Architecture to create design concepts and cost estimates for a community theater in Thornton. The project’s vision was to, “Create an inclusive Arts & Culture gathering space with affordable programs that boost visibility of Cultural Arts in Thornton.” Victus Advisors carefully reviewed this study and will refer to it as the “Thornton Theater Study” for the remainder of the report.

Demographic & Socioeconomic Analysis - The City of Thornton is part of Adams County and is the largest city in the County with a total population of 138,192.

Thornton’s population has grown at more than three times the U.S. average rate between 2000 and 2018. The population in Thornton is projected to grow at a slightly higher rate than the U.S. as a whole over the next five years.

Median household income is higher in Thornton than Adams County and the Denver MSA. On a cost of living adjusted-basis, Adams County’s median household income is similar to the U.S. median household income. The adjusted median income in the Denver MSA and Thornton are both higher than the U.S. median household income. Higher median income reflects greater disposable income that can be spent on various forms of arts, entertainment, and recreation.

The population within a 30-minute drive-time radius of Thornton is 2,184,959. Based upon Victus Advisors’ experience, primary attendance for a potential arts, cultural, and event center (especially for weekday events) is typically drawn from within a 30-minute drive radius.

Thornton is located adjacent to the highly trafficked I-25 in a favorable central location. From a transportation and accessibility standpoint, the City of Thornton sees heavy traffic flows via I-25. Upwards of 166,000 vehicles each day travel through exits 219 (84th Ave) and 221 (104th Ave).

Victus Advisors reviewed numerous community and performing arts venues in the greater Denver metro area. The purpose of this analysis was to understand the current inventory in the market and assess the opportunity for a new facility in Thornton. Please note, we have categorized two different types of venues below:

- **Community Venue:** Focused on affordable community access and local usage.
- **Concert/Theater Venue:** Focused on generating ticket sales and maximizing economic impact.

Seating Capacity Analysis - Victus found that there is only one theater with a fixed-seating capacity between 750 and 1,700. The Performance Hall at the Lincoln Center has a seating capacity of 1,180. It should be noted, however that the facility is outside of the Greater Denver market and about an hour north of Thornton in Fort Collins.

Community Venue Facility Operator Feedback - The consensus among community venue operators that we interviewed was that a community theater/arts facility would require an operating subsidy. In order to maximize the cost recovery of the facility, operators recommended that the proposed venue in Thornton have the flexibility to host a diverse range of events from concerts, performances, weddings, and corporate meetings, among other events. One facility operator stated, "You won't find for-profit community venues anywhere."

Community Venue Summary - Seating capacity for the main theater at the community venues ranges from 100 to 750 seats, with an average capacity of approximately 350, and a median seating capacity of 300. The average construction cost for a community venue is about \$25 million. Venues that were deemed to be most similar to concepts proposed in the Thornton Theater Study had current estimated construction costs of \$31.3 million (Lone Tree Arts Center) and \$37.1 million (Lakewood Cultural Center), respectively.

Victus Advisors has identified at least three comparable community facilities in the Greater Denver market area where their facility operating budgets were clearly defined. These three facilities reported operating cost recoveries between 30% and 60%, with overall annual operating losses ranging from \$250,000 to \$4.8 million annually, depending on the size/scale of the facility:

- Lakewood Cultural Center - Cost Recovery: 30%; Operating Loss: \$2,310,000
- DL Parsons Theatre - Cost Recovery: 50%; Operating Loss: \$250,000
- Arvada Center - Cost Recovery: 60%; Operating Loss: \$4,800,000

Concert/Theater Venue Summary - Seating capacity for the main theater at the revenue-generating (rather than community-focused) concert/theater venues ranges from 750 to approximately 2,900 seats, with an average and median capacity of approximately 1,780.

Five of the six facilities/complexes reviewed in this section were historic theaters that have undergone or will undergo several renovation phases both over the past several decades and in the next decade). The majority of the renovation projects that were completed within the last 30 years were well over \$130 million in 2018 dollars.

The privately owned/operated theaters that we reviewed all declined to provide financial operating data. Two publicly owned/operated theater facilities reported operating cost recoveries between 50% and 92%, with overall annual operating losses ranging from approximately \$300,000 up to \$1 million annually. It should be noted that none of the privately owned/operated theater representatives indicated that their facilities were losing money on an annual basis, and it was assumed that they would not continue to operate these facilities if they weren't generating annual net positive income.

In November 2018, the City of Thornton identified local participants and scheduled a series of one-on-one interviews for Victus Advisors. The goal of these interviews was to gather feedback from key local arts group stakeholders and community leaders regarding the market potential for a new community-focused arts, cultural, and event center in Thornton. The set of topics and questions included perceptions of Thornton and its current arts, cultural, and event venue offerings, possible comparable and competitive venues and markets, and other feedback concerning the potential new venue.

Perceptions of Current Arts, Cultural, and Event Facilities in Thornton - Beyond the Thornton Arts & Culture Center (TACC) and local high schools, many interviewees feel that there is a demand for more affordable arts and cultural event center space in Thornton. Some groups said that the lack of affordable facilities limits what they can do in terms of arts and cultural programming including performances and classes/workshops. Another person said that the publicly-available facilities do not necessarily meet their needs but they adapt, based on the facilities that they can afford and have access to.

Location of a Potential New Arts, Cultural, and Event Facility in Thornton - Several interviewees mentioned that Thornton does not have a true downtown or “City Center” area. These interviewees suggested that the new arts and cultural center could be part of a larger effort to create such an area within Thornton. Some also view a centrally-located City Center concept as a way to connect North and South Thornton.

Ideal Facility - Several interviewees mentioned that the new facility should be multi-purpose and flexible. Several groups indicated that they need seating capacity between 400 and 600 seats. Art groups would like to see a facility that has space for studios, classrooms, and workshops. Some groups would like a community facility while other groups expressed their desire for a larger performance venue.

Rent - Victus Advisors found that there are only two local groups that we interviewed that could potentially pay a higher market rate rent in the proposed facility in Thornton.

Concert Promoter/Operator Feedback - In addition to local arts groups, Victus Advisors also interviewed regional/national promoters of ticketed concert events. The consensus from the promoter/operators interviewed was that a revenue-generating performance venue in Thornton (as opposed to a community-focused venue) should have a seating capacity no less than 1,000, with 1,500 being the optimal capacity. The promoter/operators indicated that anything lower would make the facility very difficult to generate significant revenue.

Nearly all of the private theater operators interviewed expressed interest in learning more about the potential opportunity to operate the proposed venue in Thornton in the future. It should be noted that all those that expressed interest in operating the facility had little interest in operating the facility without a fixed annual management fee paid by the City of Thornton.

It should be noted that Victus Advisors provided concept recommendations for two different types of venues which were classified as Community Theater and Revenue-Generating Theater. Please note that we will analyze both types of facilities for the remainder of the report.

Community Theater Concept Recommendations - Approximately 30,000 to 35,000 square foot venue, with a 500-seat theater for community and regional use and a 125-seat black box theater for smaller events. Additional amenities should include at least four (4) flex-rooms that can be utilized as classrooms, studios, art galleries, or other rental space; as well as a large lobby that can be used for receptions, weddings, and other banquet-type events. Additional recommended specifications are found below:

- At least 50' x 36' center stage, 2 17' x 25' side stages, and 40' x 20' orchestra pit
- Large lobby/foyer that can also be utilized for banquet/reception rentals, with adjacent catering kitchen
- Concessions stands (At least one (1) concessions point of sale for every 250 seats)
- Bathrooms (At least one (1) toilet stall per 50 seats, and one (1) urinal per 100 seats)
- Storage and construction areas for props, costumes, etc.
- Dressing rooms (at least 2) and green room
- Flex rooms for classrooms, studies, galleries, meetings, and other rentals
- Administrative offices

Revenue-Generating Theater Concept Recommendations - Approximately 80,000 square foot venue, with a 1,500-seat, multi-tiered theater to attract regional and national touring acts. Additional revenue-generating spaces could include VIP seating and lounge areas; at least two (2) flex-rooms that can be utilized as meeting rooms, classrooms, studios, art galleries, or other rental space; as well as a large lobby that can be used for receptions, weddings, and other banquet-type events. Additional recommended specifications are found below:

- At least 50' x 36' center stage, 2 25' x 40' side stages, and 40' x 20' orchestra pit
- Full-fly system (56-foot fly loft)
- Large lobby/foyer that can also be utilized for banquet/reception rentals, with adjacent catering kitchen
- Full-service concessions stands (At least one (1) concessions point of sale for every 250 seats)
- Bathrooms (At least one (1) toilet stall per 50 seats, and one (1) urinal per 100 seats)
- VIP seating areas (opera boxes, club lounge, etc.)
- Storage and construction areas for props, costumes, etc.
- Dressing rooms (at least 4) and green room
- Flex rooms for classrooms, studies, galleries, meetings, and other rentals
- Administrative offices
- Box office

CONCEPT & LOCATION RECOMMENDATIONS (CONT.)

Community Theater Location Analysis & Recommendation -

Based on discussions with comparable facility operators, as well as Victus Advisors' industry experience, it has been determined that the most likely factors to impact the success of a community theater in Thornton include, but may not be limited to:

- Centralized location within City limits that is easily accessible to all residents
- Access to public transportation
- Free on-site parking

When evaluating locations for a community theater that primarily serves local needs, economic and market factors typically are not the primary drivers of location selection. Rather, locations are typically determined by availability of publicly-owned land in a centralized location with convenient access to public transportation and space on-site for free parking.

Revenue-Generating Theater Location Analysis & Recommendation -

Based on discussions with comparable facility operators, as well as Victus Advisors' industry experience, it has been determined that the most likely factors to impact the success of a revenue-generating theater in Thornton include, but may not be limited to :

- Highway access
- Highway visibility
- Walkability to local retail and dining establishments
- Proximity to downtown Denver

- Easily accessible both to the local community and to other visitors from outside the City

Victus Advisors identified (3) general locations for the proposed revenue-generating theater venue, based on what is essential and recommended in order to maximize the long-term success of a commercial venue. It should be noted that each of these areas shown below have highway visibility and quick access off of I-25:

- 144th Ave Exit
- 120th Ave Exit
- Thornton Parkway Exit

After analyzing the three (3) general locations for a revenue-generating theater, Victus Advisors recommends that the Thornton Parkway Exit area be further explored as the preferred location. Main factors are considered below:

- **Highway Access and Visibility** - More than 150,000 vehicles each day travel through the Thornton Parkway exit. Additionally, the area is easily accessible both to the local community and to other visitors.
- **Proximity to Downtown Denver** - The area is about a 15-minute drive from Downtown Denver.
- **Proximity to Retail/Dining** - There are plenty of retail/dining options to the north and east off the highway exit.
- **Redevelopment Opportunities** - The development of an arts, cultural, and event center in South Thornton could revitalize the area and potentially spur additional ancillary development, thus creating a true "downtown Thornton."

Preliminary Construction Cost Estimates - Barker Rinker Seacat Architecture previously estimated that a 31,346 sq. ft., 500-seat community theater could cost between \$20 and \$20.6 million (including soft costs, land costs, and contingencies) or between \$639 and \$659 per sq. ft. The variation in cost depended on the three sites in Thornton that they analyzed for potential construction.

Based upon metrics from comparable venues, Victus also developed a range of costs for a potential community theater and a revenue-generating theater. These metrics are based upon cost per square foot and cost per theater seat, in 2018 construction dollars. Victus projects the following range of construction costs, in 2018 construction dollars, depending on the ultimate size, scale, materials, and finishes of each facility:

- **Community Theater:** \$13.1 to \$28.2 million
- **Revenue-Generating Theater:** \$33.5 to \$67.7 million

Community Theater Operating Projections & Subsidy Analysis

Community Theater Usage Estimates - Victus Advisors estimates that the proposed community theater in Thornton could potentially host about 58 theater events (performances, recitals, workshops, meetings, etc.) and over 500 hours of community room rentals, with just under 39,000 attendees (includes event participants, teachers, and spectators).

Community Theater Operating Pro Forma - The proposed community theater is projected to produce approximately \$294,000 in total operating revenue in year 1 of operations, with an operating loss of approximately \$446,000. This model estimates annual cost recovery from operations of approximately 40% for a community-focused arts and culture venue.

Community Theater Long-Term Capital Needs - It is expected that the proposed community theater (at a construction cost of about \$20 million per the Thornton Theater Study projection) would not generate positive annual net operating income that could potentially be depended upon for funding a long-term capital reserve fund for the facility. Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.5% of facility construction costs (or approximately \$100,000 in Year 1, increased annually for inflation) to a reserve fund. This capital reserve fund can be drawn upon by the City to pay for necessary capital maintenance and improvements as the facility ages. However, it is not expected that facility operations could generate net operating income to fund this capital reserve. As such, the City of Thornton should consider alternative sources for capital reserve funding for a new venue. Over a 30 year period it is estimated that nearly \$26 million would be required in operating subsidies and capital maintenance funds. This amount would be in addition to the initial \$20 million estimated construction costs.

Revenue-Generating Theater Operating Projections & Subsidy Analysis

Revenue-Generating Theater Usage Estimates - Victus Advisors estimates that the proposed revenue-generating theater in Thornton could potentially host about 95 events (shows, meetings, etc.) with an annual attendance of about 70,500.

Revenue-Generating Theater Operating Pro Forma - The proposed revenue-generating theater is projected to break even on an annual operating budget of approximately \$1.9 million (which includes an estimated \$150,000 annual management fee for a private, third-party operator), with no annual operating subsidy required.

Revenue-Generating Theater Long-Term Capital Needs - It is expected that the proposed revenue-generating theater (at a construction cost of approximately \$35 million) would generate positive annual net operating income, although it is not expected that annual operating income could reliably be depended upon for funding a long-term capital reserve fund for the facility. Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.5% of facility construction costs (or approximately \$175,000 in Year 1, increased annually for inflation) to a reserve fund. This capital reserve fund can be drawn upon by the City (as the owner of the facility) to pay for necessary capital maintenance and improvements as the facility ages.

However, it is not expected that facility operations could generate enough net operating income to fund this capital reserve. As such, the City of Thornton should consider alternative sources for capital reserve funding for a new venue. Over a 30 year period it is estimated that more than \$5.7 million would be required in capital maintenance funds. This amount would be in addition to the initial \$35 million estimated construction costs.

The purpose of this analysis is to provide an overview of the various debt vehicles and revenue sources that could potentially be utilized to fund construction and development costs for either a new community theater or a new revenue-generating theater in Thornton. Funding vehicles and sources reviewed include:

Certificates of Participation - Certificates of Participation (COPs) are financial instruments whereby investors purchase shares of the lease revenues rather than a fixed bond payment being secured by those revenues. COPs typically do not require the government entity to repay the certificate holders beyond the annual lease appropriations, and thus do not typically require voter approval.

General Obligation Bonds - The City of Thornton could use the full faith and credit of the City to issue General Obligation (GO) bonds for all or part of the proposed community or revenue-generating theater. GO bonds are secured by the issuing government entity's pledge to use all legally available resources, including tax revenues, to pay debt service.

Revenue Bonds - Revenue Bonds are typically payable solely from the revenues of the project that is being financed, or from a dedicated tax increase or related tax increment. Since debt service is tied to the success of the project, revenue bonds are considered to have a higher risk of default than GO bonds and thus carry a higher interest rate.

Ad Valorem Taxes - Ad valorem taxes are taxes collected on the value of a transaction or property, typically in the form of property taxes or sales taxes. Within the City, an 8.5% sales tax (4.75% state tax and 3.75% local tax) is assessed. It should also be noted that, in lieu of sales taxes, the City of Thornton assesses a 7% lodging tax on accommodation rentals of less than 30 consecutive days within the City.

General Funds - The City of Thornton could choose to support the proposed community or revenue-generating theater with general funds from the City's budget. Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other municipal obligation.

Contractually Obligated Revenue - Contractually Obligated Revenue (COR) is facility-related revenue that is typically generated by multi-year contracts on commercial leases and naming rights.

Parking Surcharges - Another revenue option would be to charge for parking at the facility for events.

Tax Increment Financing - Tax increment financing (TIF) involves capturing assessed valuation growth within a specific area (e.g. "TIF district") related to a particular development. Tax increment financing often requires enactment of legislation by a State legislature. Typically, a redevelopment agency delineates a project area and declares a base year. The additional assessed valuation, added to the tax rolls over the base year, is taxed at the same rate as the base valuation.

Venues that are focused on affordable community access and local usage typically do not generate significant economic or fiscal impacts in the community. Venues that are focused on generating ticket sales and revenue tend to have significant economic impact. These venues typically can attract attendees from within a 30-60 minute drive time radius. Although these attendees are unlikely to stay overnight at a nearby hotel, they will often spend money on dining before, during, and even after attending an event near the facility. As a result of the above, only the economic and fiscal impact of a revenue-generating theater will be analyzed.

Intangible Benefits - Based on stakeholder interviews as well as Victus Advisors' industry expertise, a new arts, culture, and events facility in Thornton could be expected to have the following local intangible impacts, among others:

Intangible Benefit	Community Theater	Revenue-Generating Theater
Increased perception of the area as an attractive place for new visitors, residents, and businesses	✓	✓
Increased community pride and quality of life for local/regional residents	✓	✓
Access to additional meeting and banquet space for local and regional rentals	✓	✓
Regional exposure and branding for the City of Thornton via new visitors, television, radio, online, print, word-of-mouth, etc.		✓
Access for local residents to regional and national ticketed concerts without having to leave Thornton		✓
Access to a state-of-the-art cultural venue for a wide variety of arts programs and opportunities	✓	
Numerous community events and charitable initiatives will be hosted at the facility	✓	
Strong emphasis on encouraging local involvement with the arts	✓	
Partnerships with local school groups to provide field trips and educate around theater and the arts	✓	

Economic & Fiscal Impacts of a Revenue-Generating Theater

One-Time Construction Impacts - Based upon an estimated total construction cost of \$35 million, Victus Advisors estimates that approximately \$14.7 million of direct construction expenditures could occur within the City of Thornton. Victus also estimates that direct one-time construction expenditures within the City of Thornton could generate over \$20.4 million in total economic output, more than 130 short-term jobs, and over \$8.3 million in wages, with over \$75,000 in City sales tax revenues generated via indirect/induced spending related to construction spending.

Ongoing Impacts of Operations - After adjusting estimates of gross direct spending for displacement, it is estimated that approximately 60% of all spending associated with the annual operations of the proposed revenue-generating theater would have a net impact on the City of Thornton. It is estimated that Net Direct Spending resulting from a new revenue-generating theater would generate over \$9.2 million in annual net economic output and 124 new full- and part-time jobs throughout the economy.

Fiscal Impacts - It is estimated that a new revenue-generating theater in Thornton could generate over \$244,000 annually in incremental local tax revenue, primarily via City sales taxes.

Net Impacts - Over a 30 year period, a new revenue-generating theater is estimated to have a total net impact of over \$458 million in cumulative net economic output and over \$11.7 million in cumulative net City sales, room rental, and hotel tax revenues.



1. INTRODUCTION

Victus Advisors was engaged by the City of Thornton, Colorado (“Thornton” or the “City”) in October 2018 to conduct an independent Market Study for a new multi-use arts, cultural and events center. Victus Advisors assessed the local arts and cultural community of the metropolitan market in and around the City.

Our primary project goals for this study included:

- Estimate market demand for a new facility that would be beneficial to the local community and the greater Denver market
- Analyze the differences between a community-focused arts venue and a revenue-focused theater
- Recommend market-supportable building type and program
- Forecast usage and event days for the proposed facility
- Project the potential financial operations of the proposed facility
- Analyze the potential economic and fiscal impacts of a new multi-use arts, cultural and events center

PHASES:

1. MARKET & FACILITY ANALYSIS



2. DEMAND ASSESSMENT



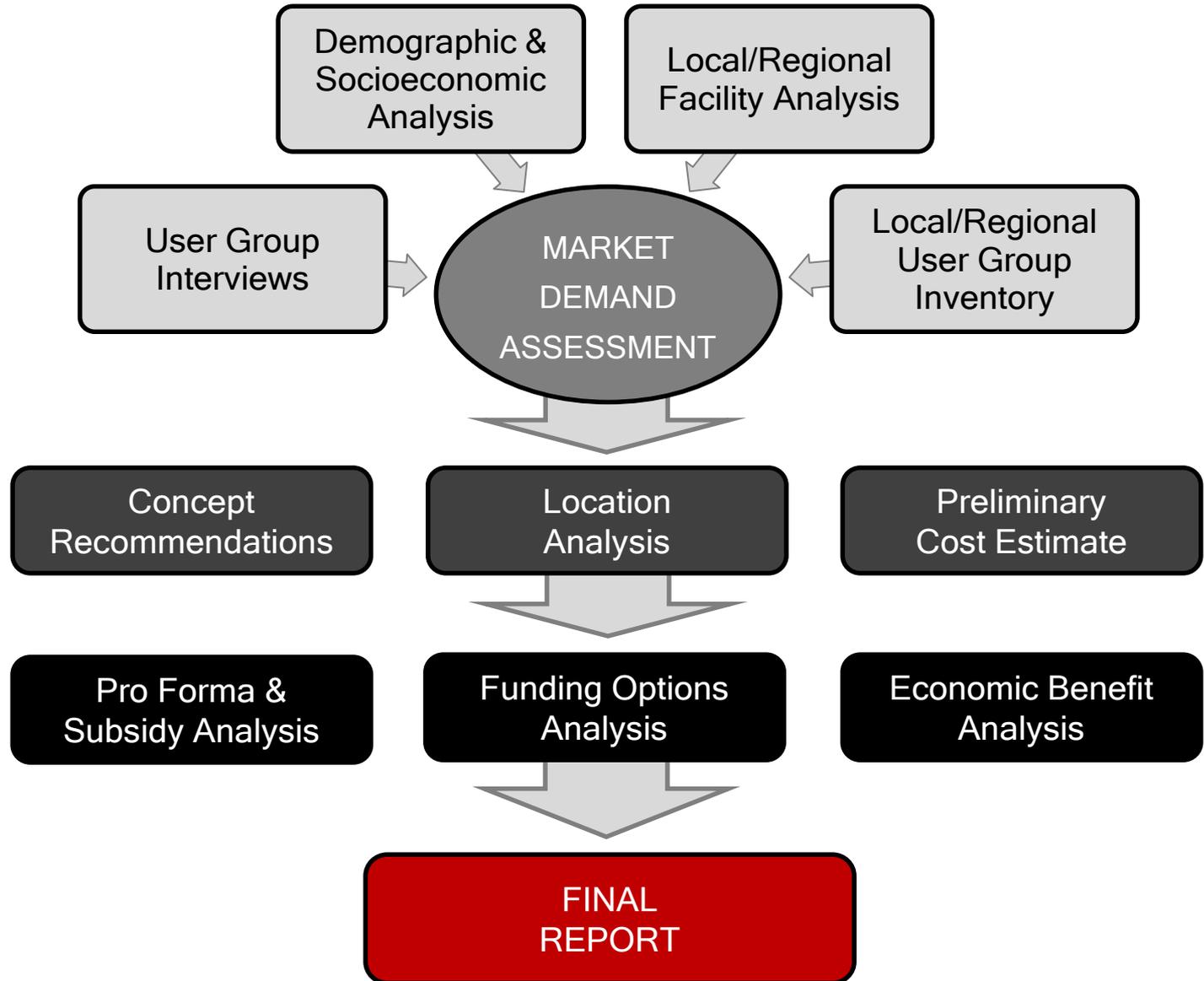
3. CONCEPT, LOCATION & COST ANALYSIS



4. FINANCIAL & ECONOMIC ANALYSIS



5. FINAL DELIVERABLES



In 2018, the City of Thornton engaged Barker Rinker Seacat Architecture to create design concepts and cost estimates for a community theater in Thornton. The project's vision was to, "Create an inclusive Arts & Culture gathering space with affordable programs that boost visibility of Cultural Arts in Thornton."

The goals of the study included:

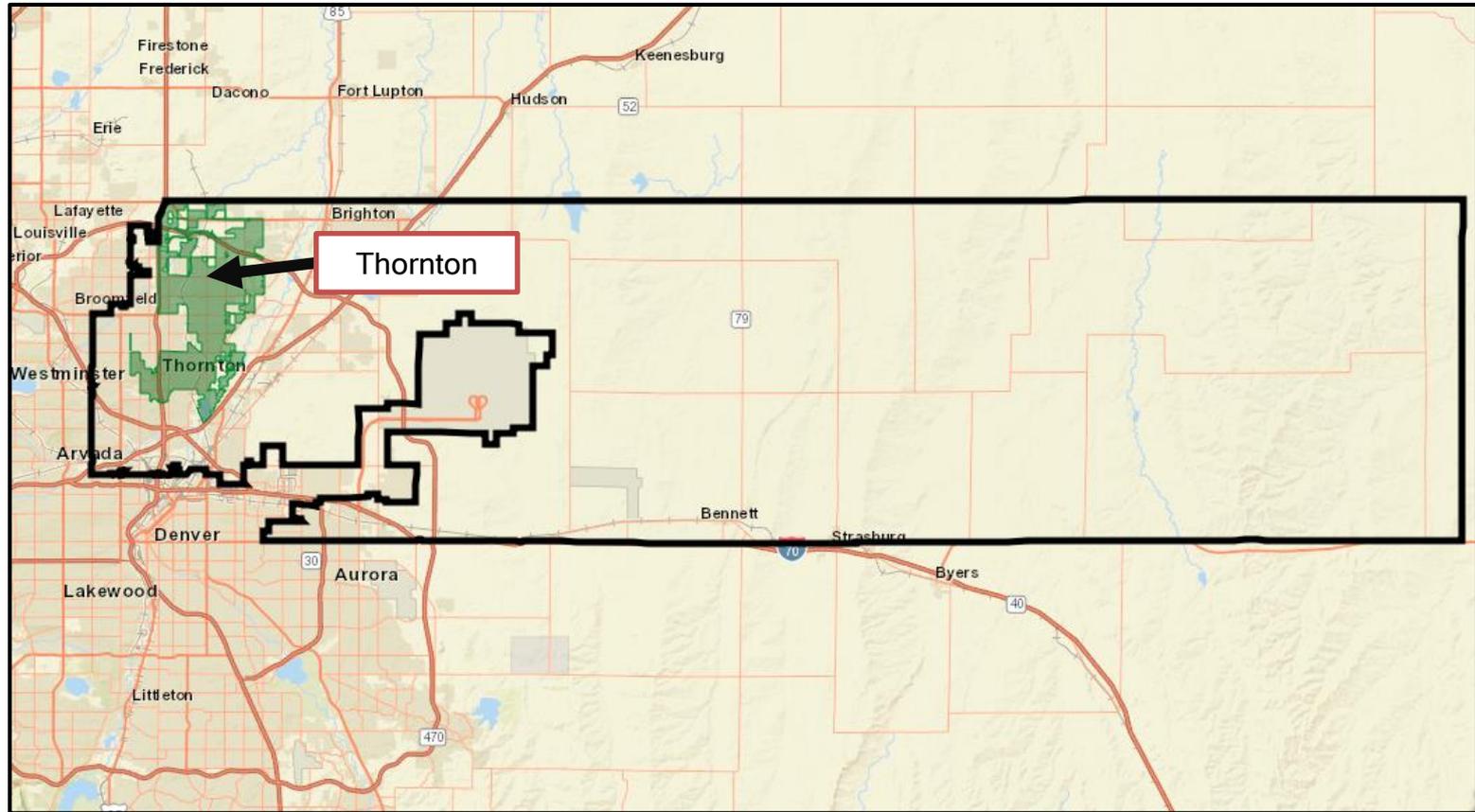
1. Continued community growth, depth, and exposure of cultural arts programming opportunities.
2. Provide programs that are inclusive of ages, gender, cultural backgrounds & types of art expression.
3. Complement, not compete with neighboring community arts programs
4. Provide gathering space for all community artists (theater, music, art gallery etc.)
5. Create a facility that recognizes the evolution of the Arts in Thornton
6. Support multimodal community access.
7. Provide performance and/or rehearsal space for the Community Band and instrument storage."

The architecture firm analyzed three type of facility sizes, with various amenities, in addition to potential locations for the venue. Ultimately, "Site 5" (88th Avenue and Washington St.) was recommended as the most viable site for a venue for any the three types of facility sizes that were analyzed.

Victus Advisors carefully reviewed this study and will refer to it as the "Thornton Theater Study" for the remainder of the report.

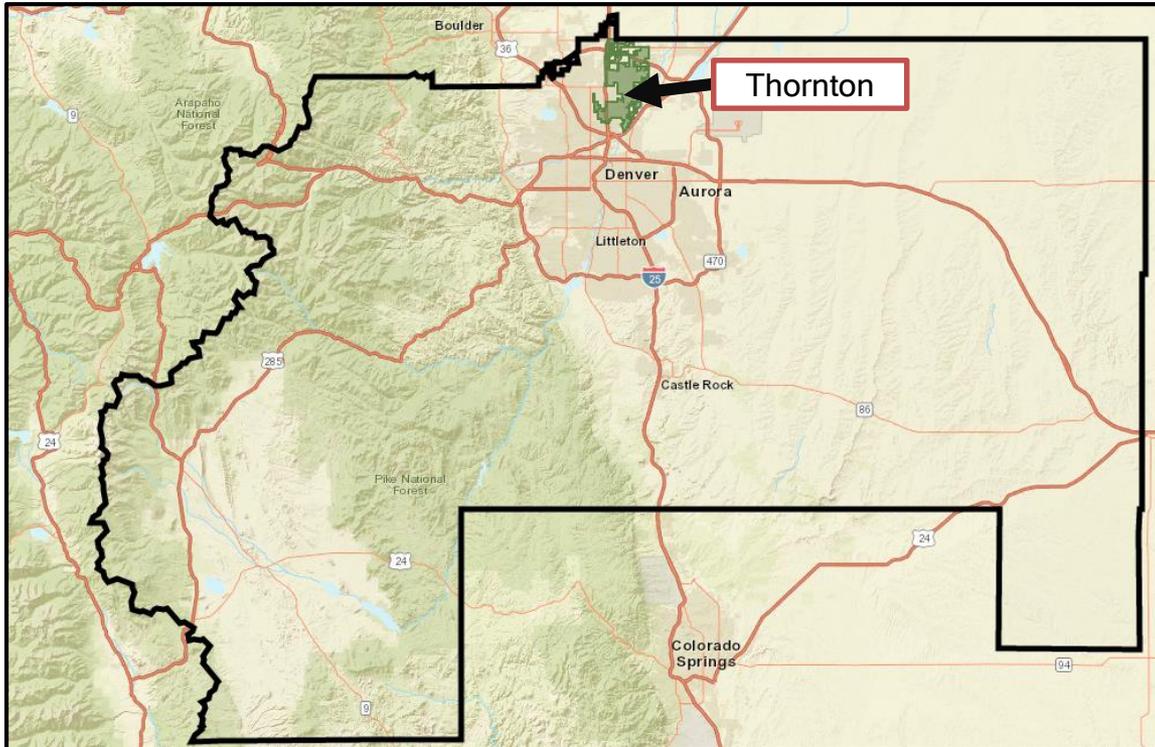


2. DEMOGRAPHIC & SOCIOECONOMIC ANALYSIS



Source: Esri

Adams County has a total population of 506,923. Other cities in the county include Brighton, Commerce City and Northglenn. The County also includes portions of Arvada, Aurora and Westminster.



Source: Esri

The City of Thornton is also part of the Denver-Aurora-Lakewood, CO Metropolitan Statistical Area (MSA), as designated by the U.S. Office of Management & Budget. The MSA is comprised of the City & County of Denver as well as Adams, Arapahoe, Broomfield, Clear, Douglas, Elbert, Gilpin, Jefferson, and Park Counties, and it has an estimated population of over 2.9 million. The MSA is shown in the map on the left. Throughout the remainder of the report, this area will be known as the “Denver MSA”.

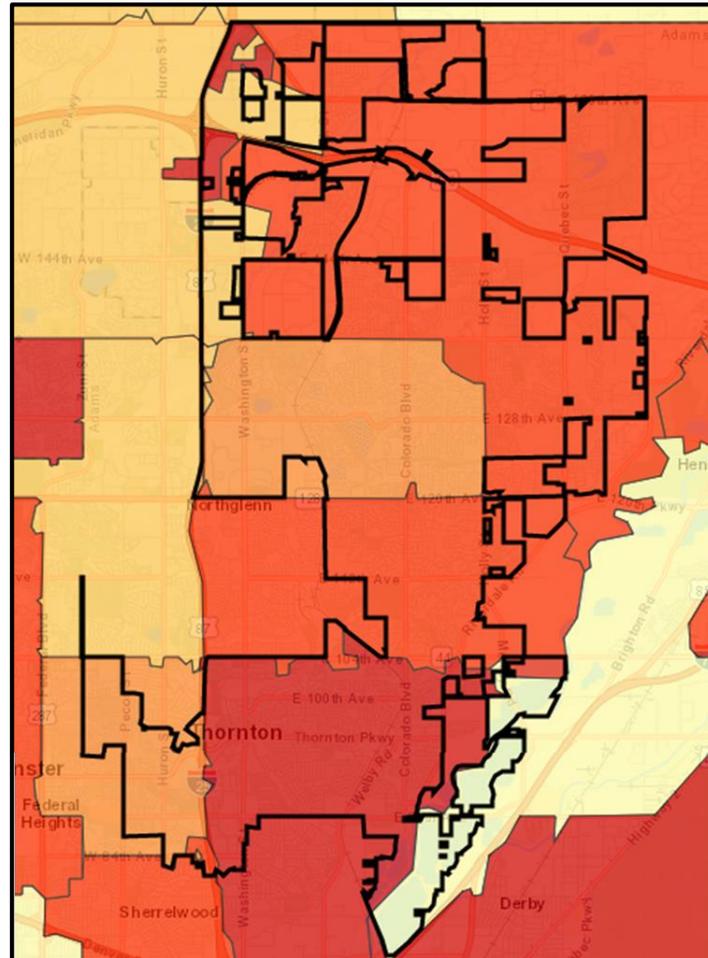
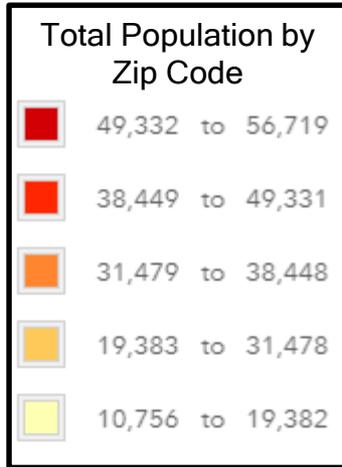
	Thornton	Adams County	Denver MSA	United States
Population	138,192	506,923	2,928,292	330,088,686
Population Under 18	40,650	144,855	723,202	73,155,846
Percentage of Population Under 18	29.4%	28.6%	24.7%	22.3%
Population Growth:				
Annual Pop. Growth (2000 to 2018)	2.8%	2.1%	1.7%	0.9%
Annual Pop. Growth (5-year Projection)	1.1%	1.4%	1.6%	0.8%
Projected Population (2023)	146,056	543,160	3,175,434	341,323,594
Median Age	33.5	33.8	37.0	38.2

Source: Esri

Thornton’s population has grown at more than three times the U.S. average rate between 2000 and 2018. The population in Thornton is projected to grow at a slightly higher rate than the U.S. as a whole over the next five years.

The populations of both Adams County and the Denver MSA also grew at faster rate than the national average. These two areas are projected to have greater population growth by 2023 than the U.S. average.

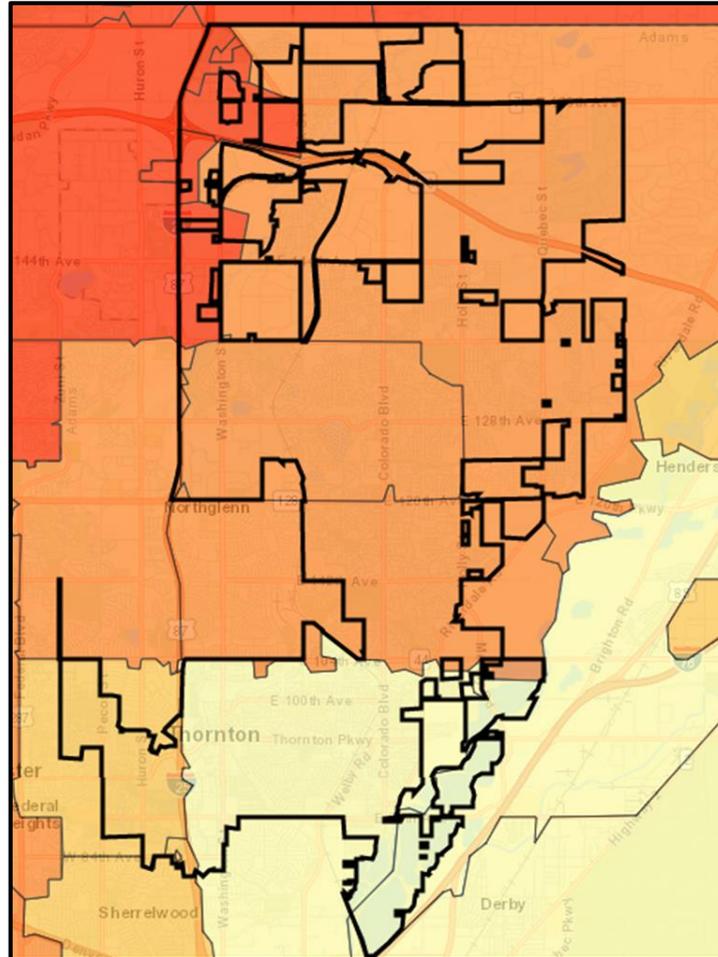
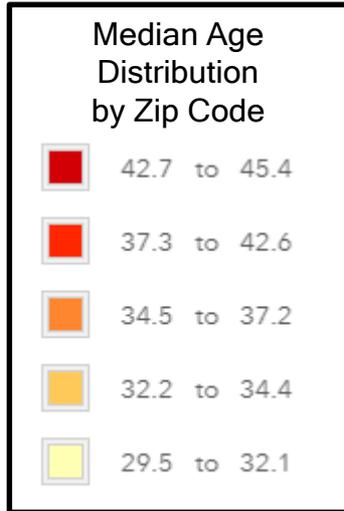
In terms of median age, Thornton and Adams County have a lower median age than the Denver MSA as a whole. All of these areas have median ages lower than the U.S. average. A lower median age tends to represent a larger presence of working-age populations and young families.



Source: Esri

Population density within Thornton is highest south of 104th Avenue and in the northern part of the City, although the population density in many parts of the City is higher than the surrounding areas.

AGE DISTRIBUTION



Source: Esri

The southern part of Thornton has a very young median age. The northern part of the city has a slightly older population with the highest median age area in the northwest.

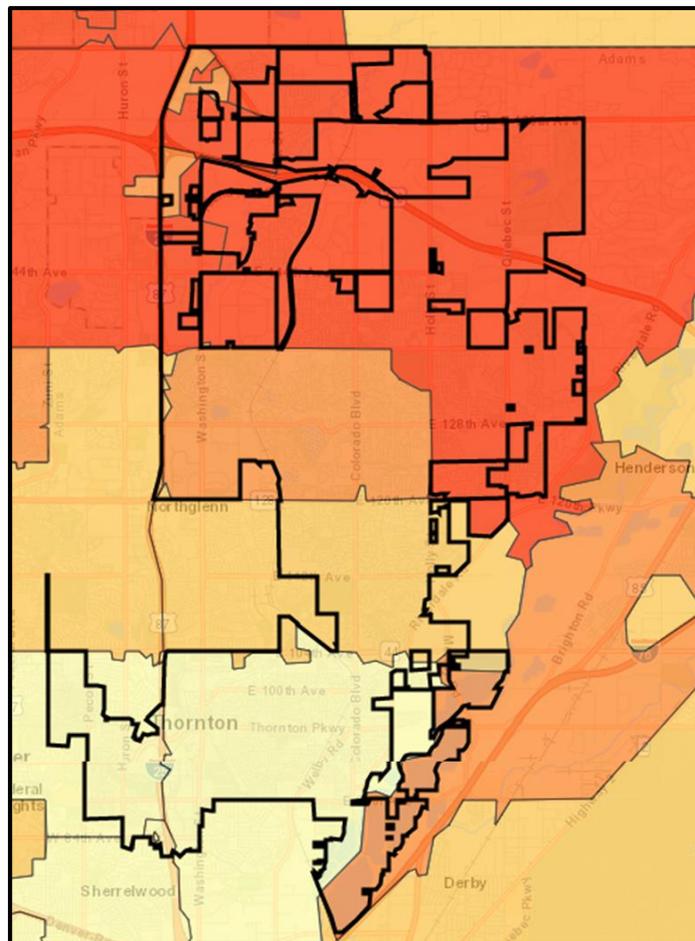
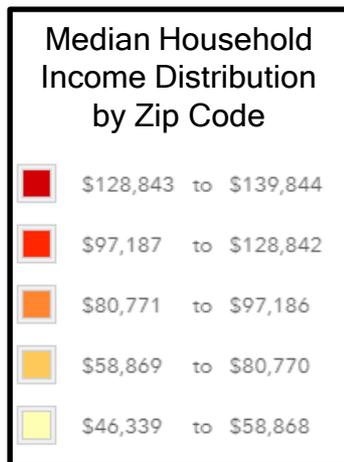
	Thornton	Adams County	Denver MSA	United States
Median Household Income	\$76,057	\$64,244	\$71,904	\$56,124
Adjusted Median Household Income (1)	\$70,423	\$58,724	\$64,086	\$56,124

Sources: Esri, city-data.com

Note: (1) Adjusted for cost of living according to city-data.com

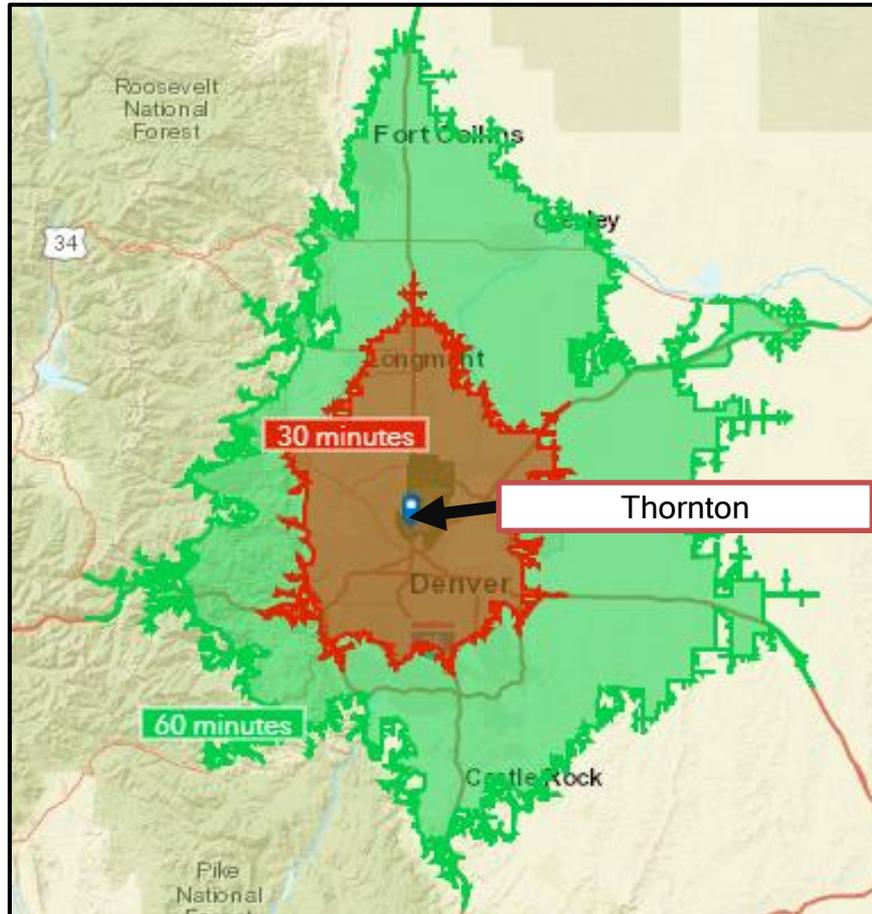
Median household income is higher in Thornton than Adams County and the Denver MSA. On a cost of living adjusted-basis, Adams County’s median household income is similar to the U.S. median household income. The adjusted median income in the Denver MSA and Thornton are both higher than the U.S. median household income. Higher median income reflects greater disposable income that can be spent on various forms of entertainment.

INCOME DISTRIBUTION



Source: Esri

Median household income levels tend to be highest in northern Thornton (north of 128th Ave.). Median household income is significantly lower in the southern part of Thornton.



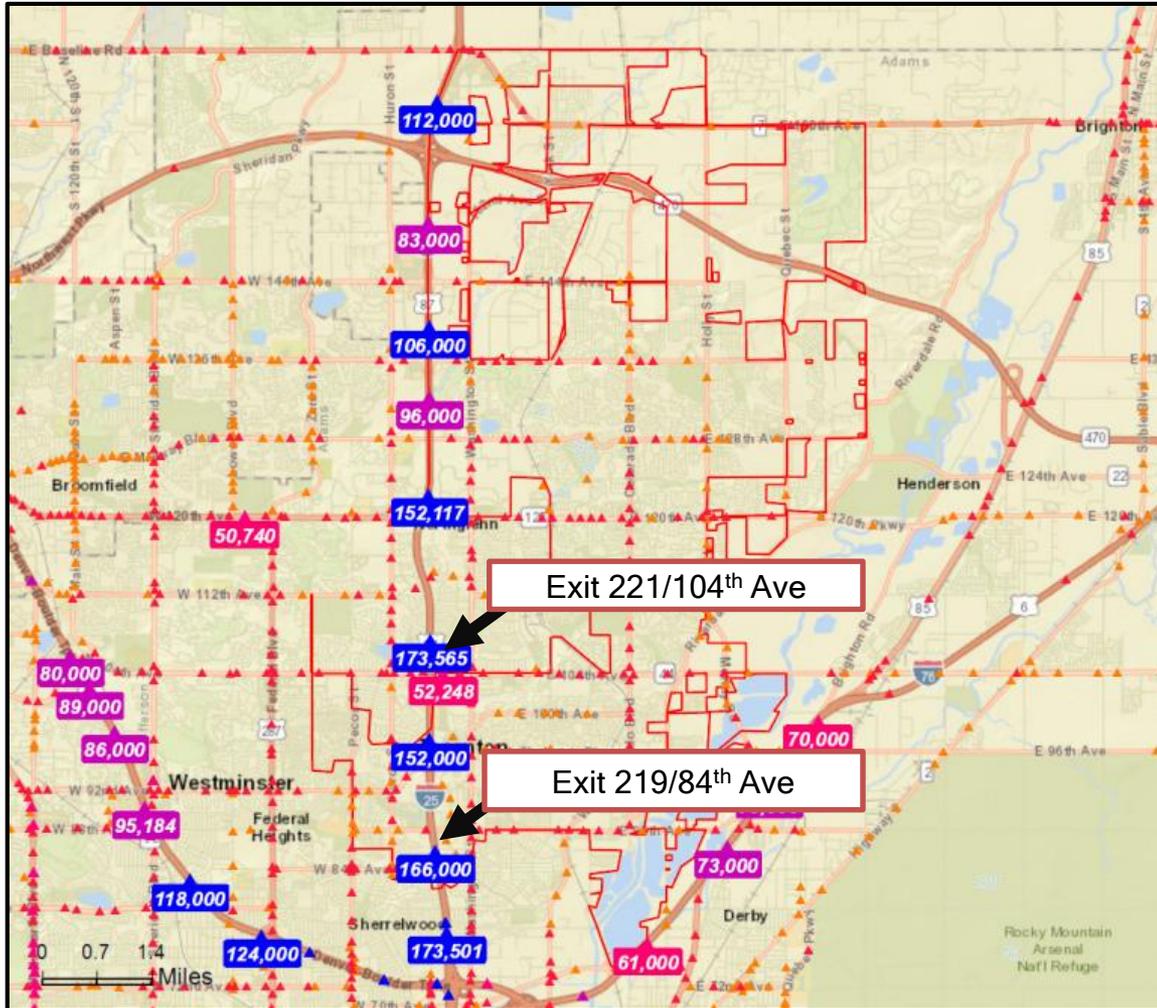
Source: Esri

The population within a 30-minute drive-time radius of Thornton is 2,184,959.

The population within a 60-minute drive-time radius of Thornton is 3,805,178.

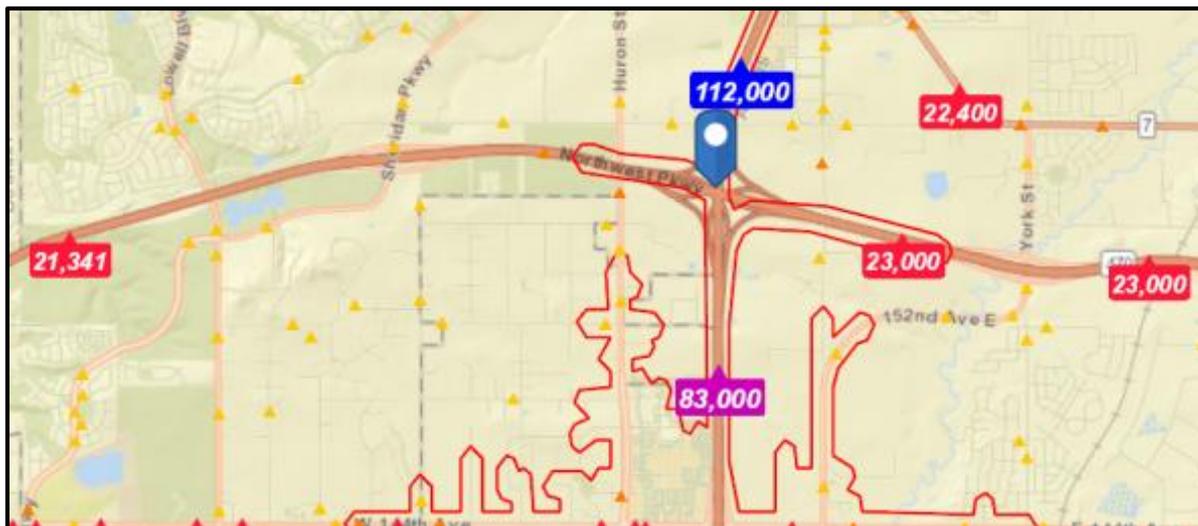
Based upon Victus Advisors' experience, primary attendance for a potential arts, cultural, and event center (especially for weekday events) is typically drawn from within a 30-minute drive radius.

Thornton is located adjacent to the highly trafficked I-25 in a favorable central location.



Source: Esri

From a transportation and accessibility standpoint, the City of Thornton sees heavy traffic flows via I-25. Upwards of 166,000 vehicles each day travel through exits 219 (84th Ave) and 221 (104th Ave).



Source: Esri

Traffic on Colorado State Highway 470, north of Thornton is much less than I-25. Less than 25,000 vehicles pass through the highway on a daily basis.



3. LOCAL & REGIONAL FACILITY ANALYSIS

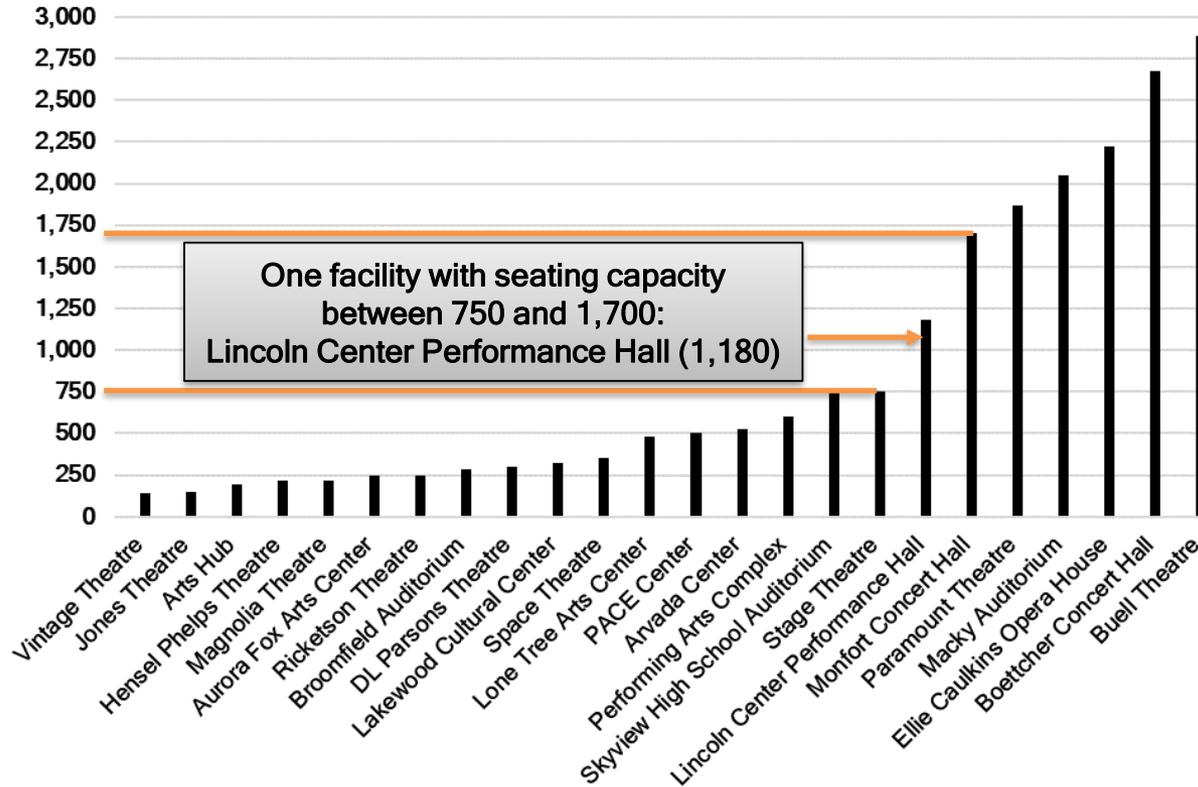
Victus Advisors reviewed numerous community and performing arts venues in the greater Denver metro area. The purpose of this analysis was to understand the current inventory in the market and assess the opportunity for a new facility in Thornton. The below list provides a brief summary of these venues. Please note, we have categorized two different types of venues below:

- **Community Venue:** Focused on affordable community access and local usage.
- **Concert/Theater Venue:** Focused on generating ticket sales and maximizing economic impact.

<u>Community Venues</u>	<u>City</u>	<u>Owner</u>	<u>Operator</u>
Armory Performing Arts Center	Brighton	Brighton Urban Renewal Authority	Brighton Urban Renewal Authority
Arvada Center for the Arts & Humanities	Arvada	City of Arvada	City of Arvada
Aurora Fox Arts Center	Aurora	City of Aurora	City of Aurora
Broomfield Auditorium	Broomfield	City of Broomfield	City of Broomfield
Lakewood Cultural Center	Lakewood	City of Lakewood	City of Lakewood
Lone Tree Arts Center	Lone Tree	City of Lone Tree	City of Lone Tree
Louisville Center for the Arts	Louisville	City of Louisville	City of Louisville
DL Parsons Theatre	Northglenn	City of Northglenn	City of Northglenn
PACE Center	Parker	Town of Parker	Town of Parker
Performing Arts Complex	Thornton	Pinnacle Charter School	Pinnacle Charter School
Skyview High School Auditorium	Thornton	Mapleton Public Schools	Mapleton Public Schools
The Arts HUB	Lafayette	The Arts HUB	The Arts HUB
Thornton Arts & Culture Center	Thornton	City of Thornton	City of Thornton
Vintage Theater	Aurora	City of Aurora	Vintage Theatre Productions
<u>Concert/Theater Venues</u>	<u>City</u>	<u>Owner</u>	<u>Operator</u>
Boulder Theatre	* Boulder	Z2 Entertainment	Z2 Entertainment
Chautauqua Auditorium	* Boulder	City of Boulder	Colorado Chautauqua Association
Denver Performing Arts Complex (DPAC)	Denver	City & County of Denver	City & County of Denver
Fox Theater	* Boulder	Z2 Entertainment	Z2 Entertainment
Glenn Miller Ballroom	* Boulder	University of Colorado	University of Colorado
Helen Bonfils Theatre Complex	Denver	City & County of Denver	Denver Center for the Performing Arts
Lincoln Center	Fort Collins	City of Fort Collins	City of Fort Collins
Mackay Auditorium Concert Hall	Boulder	University of Colorado	University of Colorado
Paramount Theatre	Denver	Kroenke Sports & Entertainment	Kroenke Sports & Entertainment
The Oriental Theater	* Denver	Private	Private
The Roxy	* Denver	Private	Private
Union Colony Civic Center	Greeley	City of Greeley	City of Greeley

* Facilities that were not analyzed further because either they had no fixed seating, or are not open year-round

SEATING CAPACITY ANALYSIS



Victus found that there is only one theater with a fixed-seating capacity between 750 and 1,700. The Performance Hall at the Lincoln Center has a seating capacity of 1,180. It should be noted, however that the facility is outside of the Greater Denver market and about an hour north of Thornton in Fort Collins.

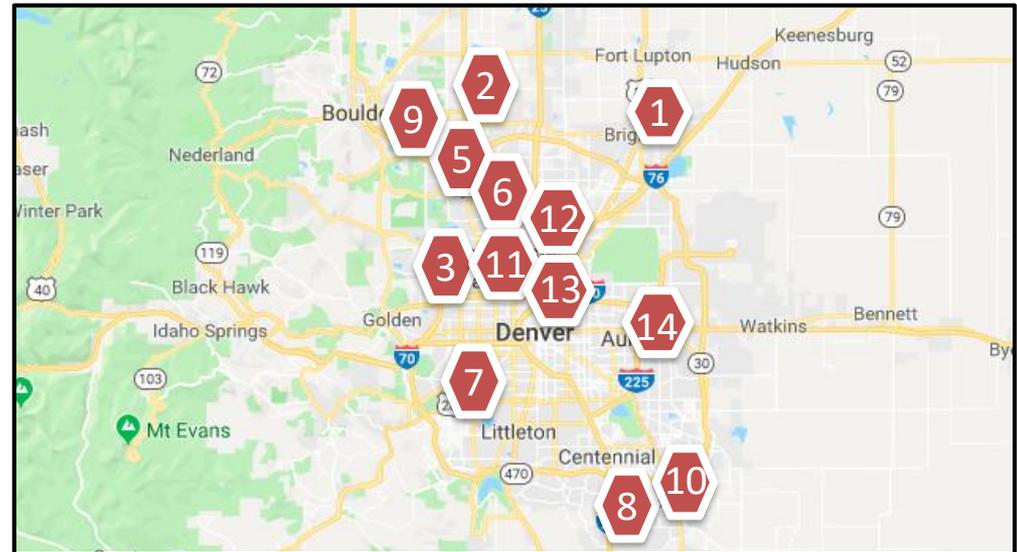


3. LOCAL & REGIONAL FACILITY ANALYSIS A. COMMUNITY VENUES

Victus analyzed community-focused arts and culture venues that are currently found in the Greater Denver market. We profiled these facilities in the following pages.

Community Venues (In Alphabetical Order)

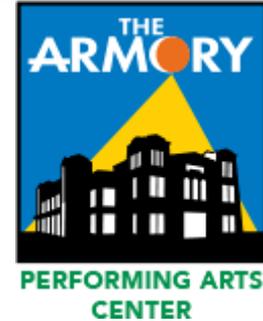
1. Armory Performing Arts Center - Brighton
2. Arts Hub - Lafayette
3. Arvada Center for the Arts & Humanities - Arvada
4. Aurora Fox Arts Center - Aurora
5. Broomfield Auditorium - Broomfield
6. DL Parsons Theatre - Northglenn
7. Lakewood Cultural Center - Lakewood
8. Lone Tree Arts Center - Lone Tree
9. Louisville Center for the Arts - Louisville
10. PACE Center - Parker
11. Performing Arts Complex - Federal Heights
12. Skyview High School Auditorium - Thornton
13. Thornton Arts & Culture Center - Thornton
14. Vintage Theatre - Aurora



Source: Google Maps

Please note that we contacted the operators of each of these facilities, and not all the operators could provide us with the same quantity and caliber of data. The facility information provided on the following pages represents the best available data that the facility operators were able to provide.

- Location: Brighton; Auditorium Footprint: 3,549 sq. ft.
- Renovated: 2011
- Funding: Public (via TIF financing)
- Owner/Operator: Brighton Urban Renewal Authority
- Facility Features:
 - Main auditorium: seating capacity up to 300 people
 - Community room
 - Outdoor stage
- Sample Events: Plays, concerts, private parties, and receptions.



The Armory hosts and produces many events, including plays, concerts, private parties, and receptions.

- Location: Lafayette; Facility Footprint: 33,000 sq. ft.
- Opened: 2016; Cost: \$3M (estimated \$3.4M in 2018 dollars*)
- Funding: Private donations
- Owner/Operator: The Arts Hub (Private, Non-profit)
- Facility Features:
 - Theater: seating capacity up to 195 people
 - Classrooms
 - Outdoor stage
- Annual Events: Over 1,400 (performances, classes, etc.)
- Rental Rates:
 - Theater: Varies depending on number of hours and event size
 - Classrooms: \$35-\$45/hour depending on room used



The Arts Hub hosts shows and events that cater to local youth talent, high quality community events, and professional shows, exhibits and other events.

- Location: Arvada; Facility Footprint: 144,000 sq. ft.
- Renovated: 2018; Cost (phased): \$69M
- Funding: City of Arvada and Scientific & Cultural Facilities District
- Owner: City of Arvada; Operator: Arvada Center for the Arts and Humanities
- Facility Features:
 - Outdoor Amphitheatre: 600 seats plus grass seating for another 1,000 (1,600 total)
 - Main Stage Theatre: 525 seats
 - Black Box Theatre: 225 seats
 - Classrooms/studios
- Annual Events: Over 1,000 (performances, classes, etc.)
- Annual Attendance: 250,000 (annual ticketed and non-ticketed events)
- Annual Operating Budget: \$12M; Annual Cost Recovery: 60%
- Rental Rates:
 - Theatres: Not available to rent for performances
 - Classrooms/studios: \$25-\$75/hour depending on user (non-profit/commercial) and room used



The Arvada Center for the Arts and Humanities produces its own theater performances. About 90% of the shows are produced by the group while 10% are presented by them.

Seating Map



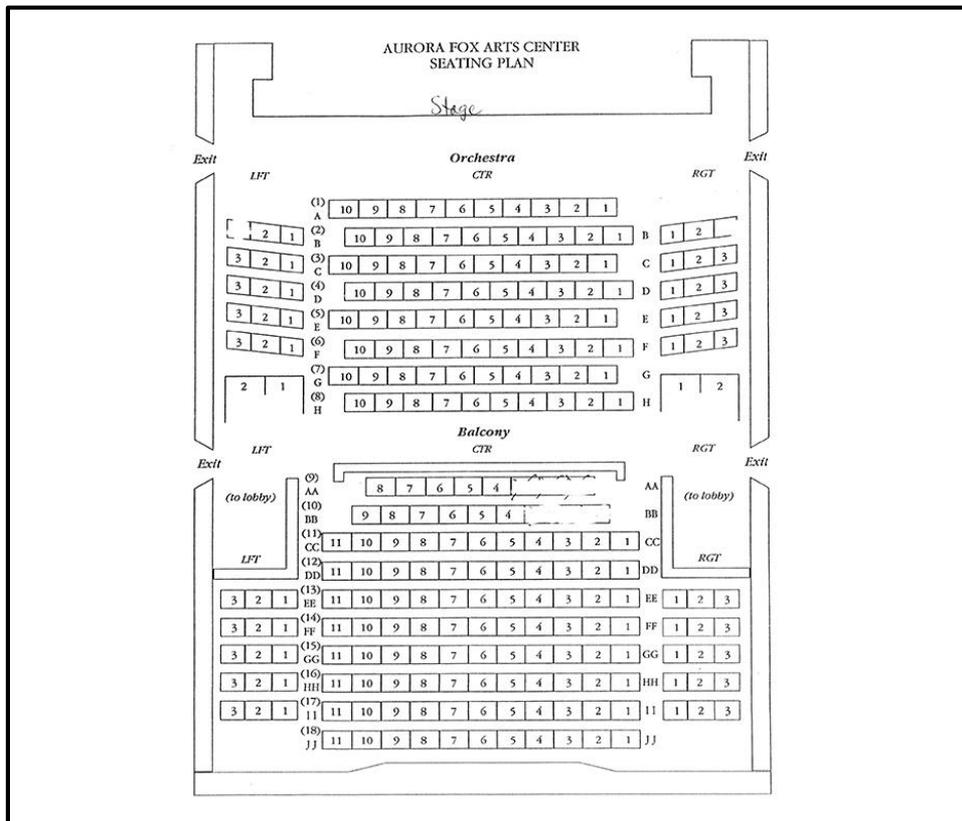
The main stage theater seats 525 people and hosts theater productions and musical groups.

- Location: Aurora
- Renovated: 1985
- Owner/Operator: City of Aurora
- Facility Features:
 - Theatre: 245 seats
 - Black box studio theatre: 73 seats
- Annual Events: Over 100
- Annual Attendance: 16,000
- Annual Operating Budget: \$1M
- Rental Rates:
 - Theatre: \$600-\$2,200/event depending on type of usage (rehearsal/performance)
 - Studio theatre: \$200-\$1,000/event depending on type of usage



The Fox Arts Center ran six series of shows so far in 2018. The shows each ran for several weeks at a time. The Aurora Fox Theatre Company is the main user of the facility. The Center hosts other, mostly local, events. A representative indicated that it is more affordable to do programs and shows in-house. Funding for the Center comes from both historic funds and funds from the City. The Center is also a historical landmark.

Seating Map

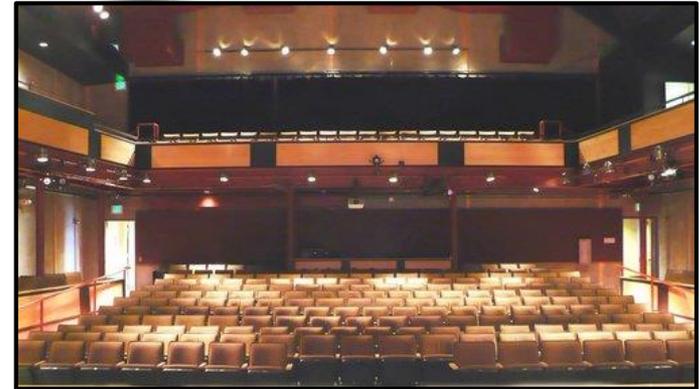


The main theatre at the Arts Center holds 245 people for a variety of stage events.

- Location: Broomfield; Auditorium Footprint: 6,800 sq. ft.
- Cost: \$2M (estimated \$3.6M in 2018 dollars*)
- Owner/Operator: City of Broomfield
- Facility Features:
 - Auditorium: 288 seats
- Annual Events: About 20
- Annual Operating Budget: \$79,000
- Annual Cost Recovery: 43%
- Rental Rates:
 - Theater: \$120-\$240/hour depending on user (non-profit/commercial and resident/non-resident)



BROOMFIELD
Colorado

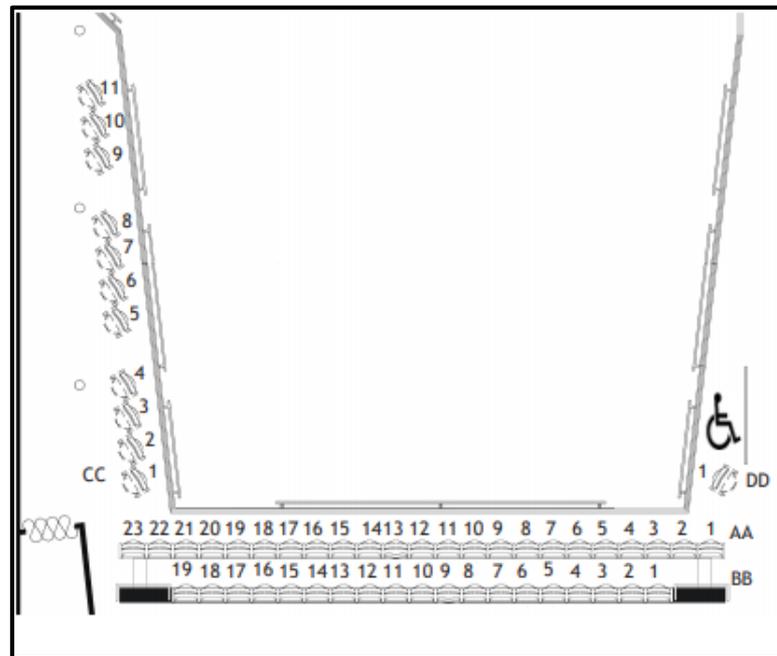
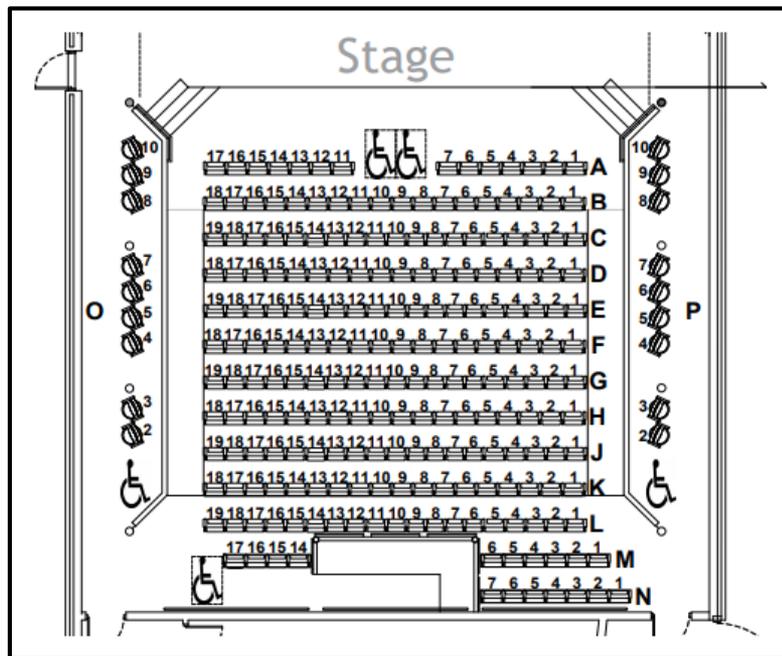


The Auditorium presents and produces its own events (around 3-4 per month). Other users of the Auditorium are non-profit groups, mostly from Broomfield. The venue hoses primarily local groups. The venue is too small for larger events. The Auditorium receives about \$45,000 from the Scientific and Cultural Facilities District (SCFD) annually. Lastly salaries are subsidized through the City.

Seating Map

Main Floor

Balcony



The Broomfield Auditorium seats approximately 288 people

- Location: Northglenn
- Opened: 1981; Renovation (Planned): 2021; Renovation Cost: \$53M
- Renovation Funding: marijuana and sales tax, certificates of participation
- Owner/Operator: City of Northglenn
- Current Facility Features:
 - Theatre: 302 seats
- Annual Events: Used 300 days out of the year; Annual Attendance: 25,000-35,000
- Annual Operating Budget: \$500,000; Annual Cost Recovery: 50%
- Rental Rates:
 - Theatre: \$60-\$100/hour depending on user (non-profit/commercial)



Northglenn *Arts*

Operational expenses are paid through Northglenn Arts & Humanities Foundation (NAHF), a non-profit. Beginning in January 2019, the Theatre will have three full-time, salaried employees and two part-time employees, all staffed by the City. Approximately 65% of the operations and programming is done by the City. The remaining usage is allotted to rentals (about 40 other groups including dance programs, Heritage events, etc.). Only about six events are out-of-state groups.

A new facility is planned to be completed in 2021, separating the Theatre from the recreation center with a new designated entrance. The seating capacity will be expanded from 302 fixed seats to 350 when completed. Expenses will increase at the new facility. Revenues will have to increase as well. Current revenue sources include ticket sales, rentals, NAHF, and SCFD funding. The newly renovated facility is expected to require \$1.7 million annually from the City's general fund.

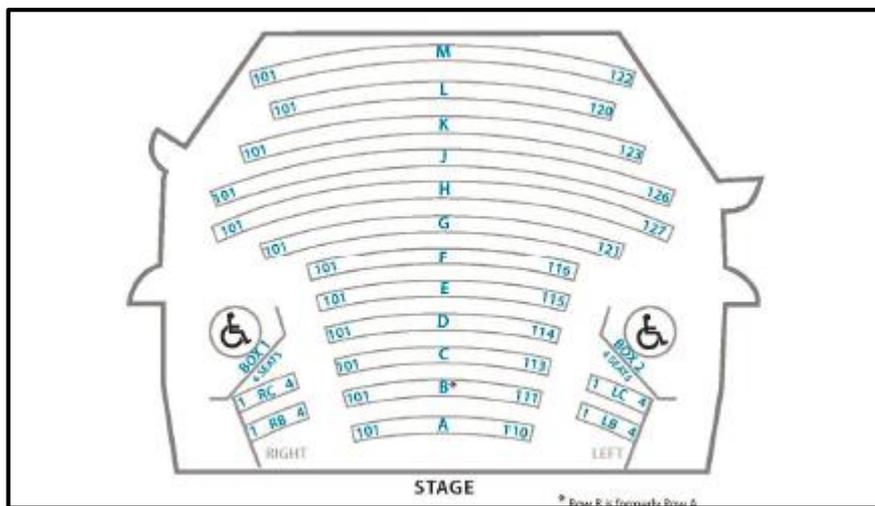
- Location: Lakewood; Facility Footprint: 38,000 sq. ft.
- Opened: 2000; Complex Cost: \$20M (estimated \$37.1M in 2018 dollars*)
- Funding: Certificates of Participation
- Owner/Operator: City of Lakewood
- Current Facility Features:
 - Theatre: 320 seats
 - Community room
 - Classrooms
- Annual Events: Over 350
- Rental Rates:
 - Theatre: \$380-\$975/event depending on user (non-profit/commercial)
 - Community room: \$90-\$150/hour depending on user (non-profit/commercial)



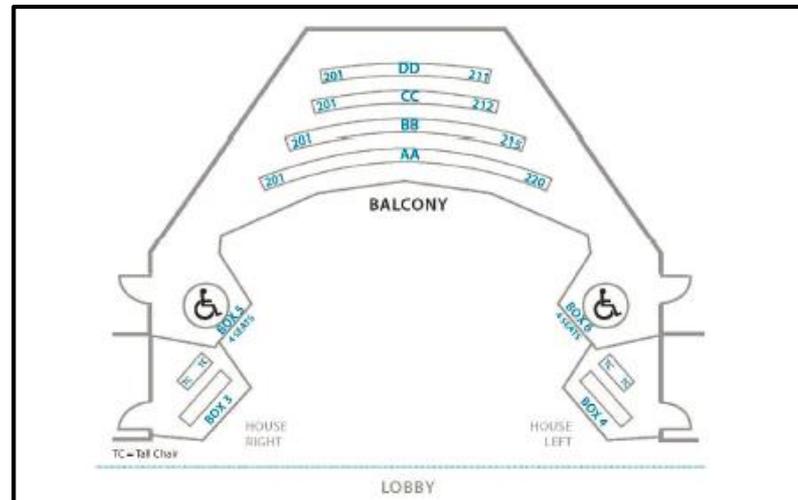
The Cultural Center presents local and regional events. The facility offers performing arts programs, visual art displays, community events, classes, student activities, and facility rentals.

Seating Map

Main Floor



Balcony



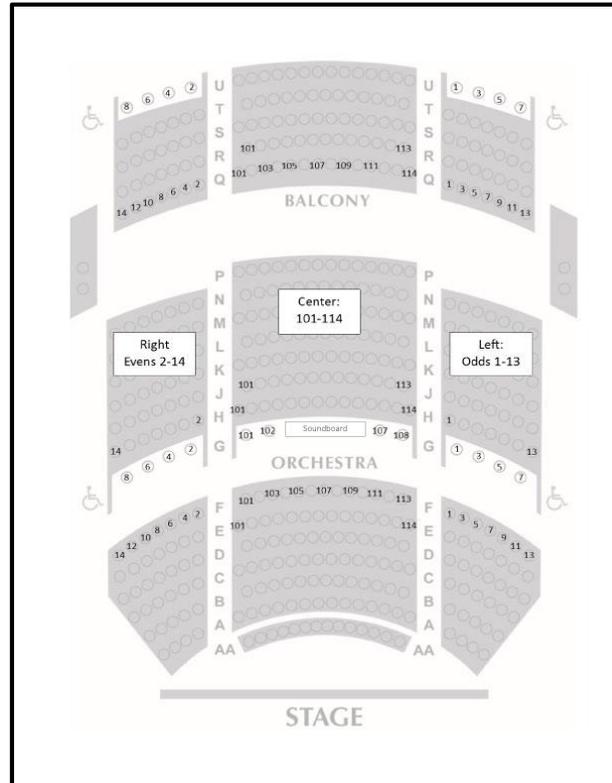
The Cultural Center Theatre seats 320 total people between the main floor and balcony seating.

- Location: Lone Tree; Facility Footprint: 43,000 sq. ft.
- Opened: 2011; Cost: \$23M (estimated \$31.3M in 2018 dollars*)
- Funding: Sales & Use Tax Bonds
- Owner/Operator: City of Lone Tree
- Facility Features:
 - Main stage theater: 484 seats
 - Outdoor amphitheater: 350
 - Mixed-use rooms: Seating up to 200
- Annual Events: 300 events (175 performances)
- Annual Attendance: 75,000
- Annual Operating Budget: \$3.3M; Annual Cost Recovery: 30%
- Rental Rates:
 - Theater: \$510-\$1,350/day depending on user (non-profit/commercial)
 - Mixed-use rooms: \$450-\$1,300/event depending on user (non-profit/commercial)



Most of the programming at the Lone Tree Arts Center is done in-house. Rental clients include dance companies and the local symphony. The community has about 12,000 people living in it and less than half of the total attendees at the Center are from within the County. The facility's operations are funded by earned income, rental income, and the City's general funds with about 30% cost recovery. Capital needs are funded from bond proceeds.

Seating Map



The Lone Tree Arts Center main stage theater seats 484 people. The Center also has 200 seats of flexible space for meetings or theater and a 350-seat outdoor amphitheater.

- Location: Louisville
- Opened: 2004
- Owner/Operator: City of Louisville
- Facility Features:
 - Community room used for various types of events
- Annual Events: Used 340 days out of the year
- Annual Attendees: 6,800 (2017 estimated)
- Rental Rates:
 - Community room: \$35-\$45/hour depending on user (resident/non-resident)



The small multi-purpose center is used by community organizations including Cold Creek Theater, Louisville Art Association, Louisville Cultural Council (LCC), and Center Stage Theatre Company. The facility caters to Louisville residents and audiences and does not focus on bringing in outside groups to generate revenue. The Center is used about 340 days out of the year. The usage is divided between art shows, multi-day shows, speakers, concert events, and other rentals (weddings, parties, etc.). Per the Louisville 2017 Comprehensive Annual Financial Report (CAFR), estimated revenue from event ticket sales was \$5,000 and estimated rental revenue was \$10,000.

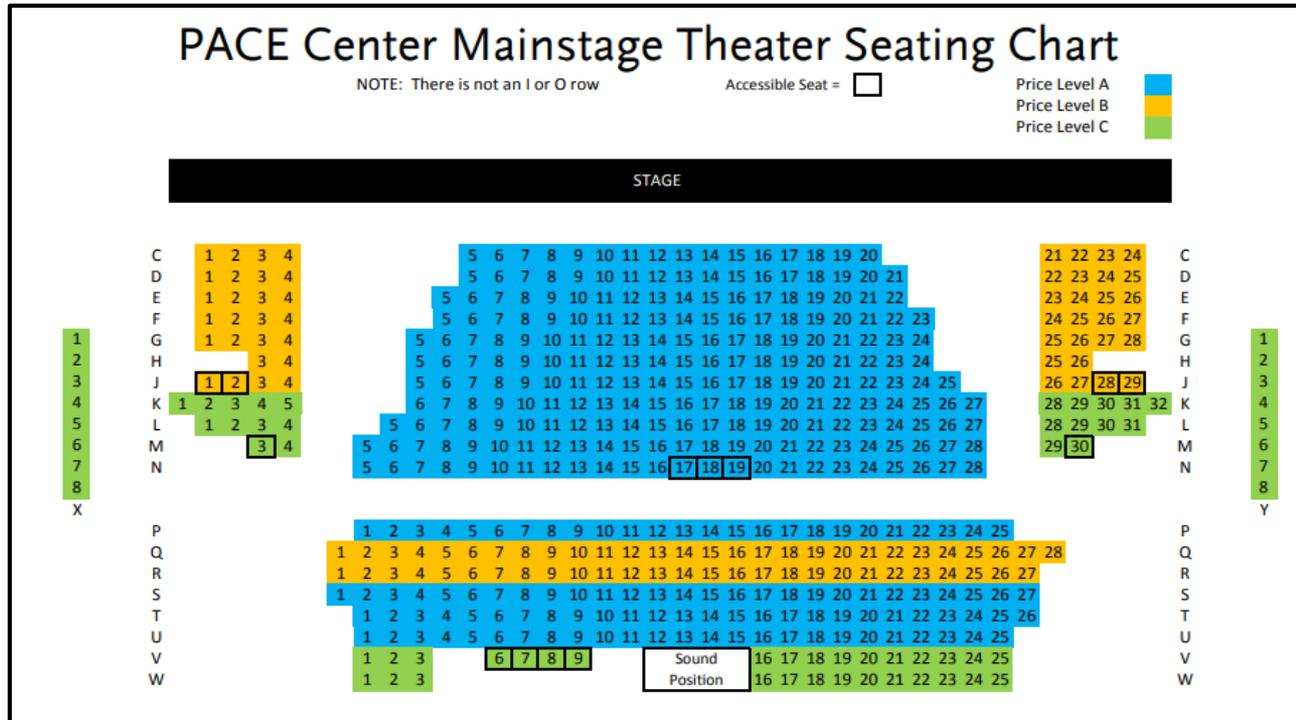
- Location: Parker; Facility Footprint: 55,000 sq. ft.
- Opened: 2011; Cost: \$21.7M (estimated \$29.5M in 2018 dollars*)
- Funding: Certificates of Participation
- Owner/Operator: Town of Parker
- Facility Features:
 - Theater: 500 seats
 - Event room and classrooms
- Annual Events: 161 (2018 presented events and rentals)
- Annual Operating Budget: \$4.8M (Parker Arts Division which includes PACE Center)
- Annual Cost Recovery: 43%
- Rental Rates:
 - Theater: \$550-\$1,870/event (higher rates for multi-day events and performances)
 - Event rooms and classrooms: \$25-\$275/hour depending on user (non-profit/commercial)



In addition to events, The PACE Center also hosts 400 classes on an annual basis. The Center is “dark” about 10% of the year. The facility hosts 1,400 rental events annually, which includes classroom or event room events/rentals. The Center presents national touring acts (about 12 per year) including circus events, magicians, and dance events. The Center also co-produces events (dance schools, jazz, bands, etc.). Participants at the Center are drawn from Parker and the Denver Metro area.

** Estimated according to the Turner Building Cost Index*

Seating Map



The PACE Center Mainstage Theater has a 500-seat capacity.

- Location: Federal Heights
- Owner/Operator: Pinnacle Charter High School
- Facility Features:
 - Theater: 600 seats

PERFORMING ARTS
Complex
at PCS



The Performing Arts Complex at Pinnacle Charter School is available to rent for performances, conferences, business meetings or other events.

- Location: Thornton
- Opened: 1988
- Owner/Operator: Mapleton Public Schools
- Facility Features
 - Auditorium: 750 seats
- Annual Events: 8 non-school events
- Rental Rates:
 - Auditorium: \$50-\$80/hour depending on user (non-profit/commercial)



The School hosts about eight non-school events per year. Many events are turned away from the Auditorium due to the school prioritizing its own events and lack of sufficient staff. The School rents the facility to the City rent-free with staffing expenses not covered. Non-profit rentals are \$50-\$60 per hour while rent for commercial groups is \$80. Both types of groups are also charged equipment and technical expenses. The School feels there is demand for a new venue in Thornton due to the fact that their small venue has to turn away so many groups with the Auditorium's limited scheduling.

- Location: Thornton
- Opened: 1988
- Owner: City of Thornton; Operator: Thornton Arts, Sciences & Humanities Council (TASHCO)
- Facility Features
 - Community room with a stage
- Annual Events: 25
- Annual Attendance: 8,000
- Annual Operating Budget: N/A, facility is operated from the TASHCO and City Arts & Culture budgets
- Rental Rates:
 - Community room: No rent is charged



The facility is limited because half of its programming time in the space is shared with the Active Adult Center. The budget is based on events and programming, not the operations of the facility.

- Location: Aurora
- Opened: 2012; Cost: \$750,000 (estimated \$1M in 2018 dollars*)
- Owner: City of Aurora; Operator: Vintage Theatre Productions
- Facility Features:
 - Main Theatre: 140 seats
 - Black box theatre: 60 seats
 - Lobby stage: 60 seats
- Annual Events: 12 produced shows
- Annual Attendance: 16,000
- Annual Operating Budget: \$600,000
- Rental Rates:
 - Main theatre: \$750/day
 - Black box theatre: \$350/day
 - Lobby stage: \$250/day



The Theatre is owned by the City of Aurora and operated by the non-profit group Vintage Theatre Productions (VTP) since 2012. VTP is primarily a performing arts group that presents mostly its own work and productions. The 12 productions per year typically run over a three-performance weekend.

Victus Advisors also interviewed several facility operators of the venues that were analyzed to collect operating data and also gather feedback on what it would take to make a new facility successful in Thornton. We conducted interviews with staff from the following 12 facilities:

- Arts Hub
- Arvada Center for the Arts & Humanities
- Aurora Fox Arts Center
- Broomfield Auditorium
- DL Parsons Theatre
- Lakewood Cultural Center
- Lone Tree Arts Center
- Louisville Center for the Arts
- PACE Center
- Skyview High School Auditorium
- Thornton Arts & Culture Center
- Vintage Theatre

Key takeaways from these interviews are found below and on the next page:

How a Facility in Thornton Could be Designed and Operated in Order to Generate Revenue and Minimize Operating Subsidies

The consensus among facility operators that we interviewed was that a community theater/arts facility would require an operating subsidy. In order to maximize the cost recovery of the facility, operators recommended that the proposed venue in Thornton have the flexibility to host a diverse range of events from concerts, performances, weddings, and corporate meetings, among other events. One facility operator stated, “You won’t find for-profit community venues anywhere.”

Finding a Balance Between Local Community Use and Revenue-generating Use (Non-Local)

Several facility operators stated that if the City of Thornton focuses on local community use for the proposed facility, then the operating cost recovery would be significantly higher because local groups would not be able to afford market rates to rent the facility for its events. Conversely, by producing events in-house (revenue would be generated by registration and participation fees) or renting out to larger regional groups, the facility would generate revenue from rentals and ticket sales and minimize cost recovery.

Facility Size Recommendation for a Facility in Thornton

The average seating capacity for the “main theater” of the facilities analyzed was 348. Several facility operators stated that if the City of Thornton wants to cater to the local community, then at least one theater with a seating capacity between 250 and 500 would be appropriate. In addition, a black box theater, classrooms/studios, and a lobby that could be used for other events was also recommended. It should be noted that the staff at DL Parsons Theatre expressed concern at the possibility of having a similarly sized-facility in Thornton. They indicated that such a venue would directly compete with Northglenn’s facility.

SEATING CAPACITIES

Seating capacity for the main theater at the community venues ranges from 100 to 750 seats, with an average capacity of approximately 350, and a median seating capacity of 300.

CONSTRUCTION COSTS

The average construction cost for a community venue is about \$25 million. Venues that were deemed to be most similar to concepts proposed in the Thornton Theater Study had current estimated construction costs of \$31.3 million (Lone Tree Arts Center) and \$37.1 million (Lakewood Cultural Center), respectively.

FINANCIAL OPERATIONS

Detailed break-outs of the financial operations for each facility were not always available, as many of the community facilities' budgets were either combined with adjacent or attached public facilities and/or rolled into larger arts and cultural division budgets. That said, Victus Advisors has identified at least three comparable community facilities in the Greater Denver market area where their facility operating budgets were clearly defined. These three facilities reported operating cost recoveries between 30% and 60%, with overall annual operating losses ranging from \$250,000 to \$4.8 million annually, depending on the size/scale of the facility:

- Lakewood Cultural Center - Cost Recovery: 30%; Operating Loss: \$2,310,000
 - DL Parsons Theatre - Cost Recovery: 50%; Operating Loss: \$250,000
 - Arvada Center - Cost Recovery: 60%; Operating Loss: \$4,800,000

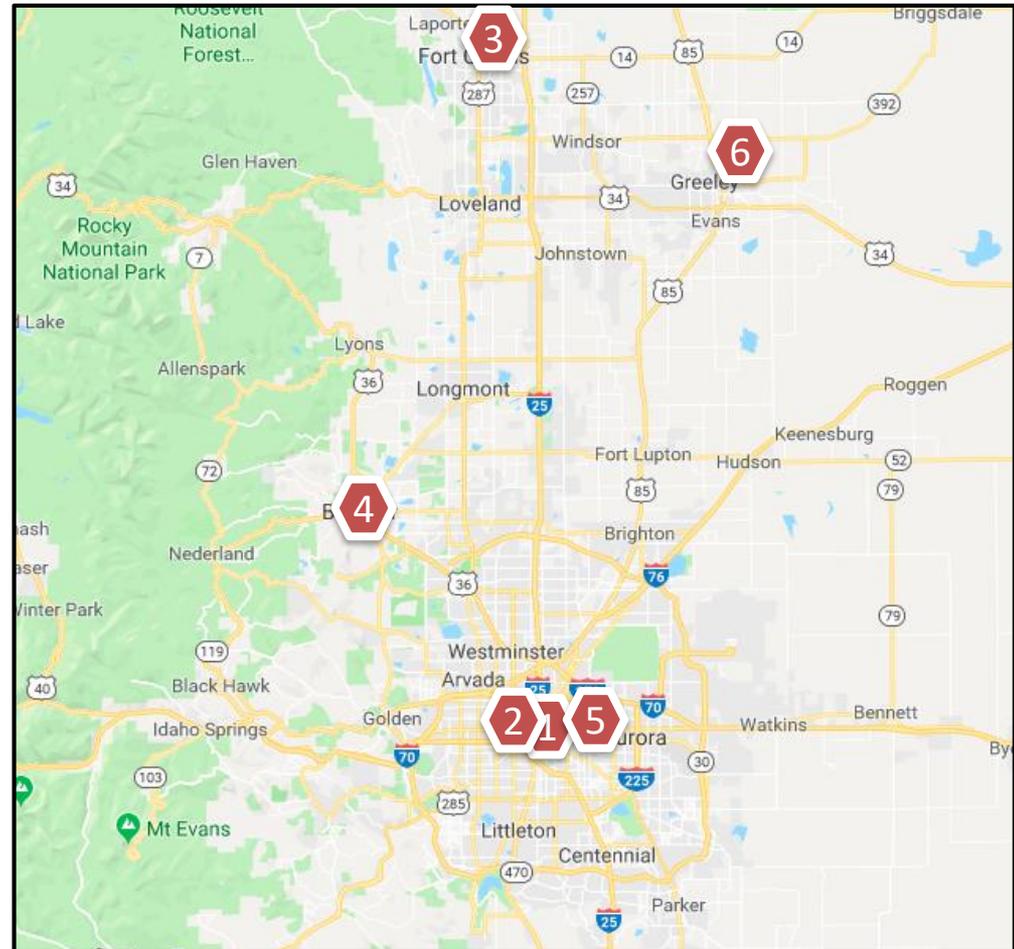


3. LOCAL & REGIONAL FACILITY ANALYSIS B. CONCERT/THEATER VENUES

Victus identified and analyzed concert/theater venues (with greater than 500 fixed theater-style seats) that could potentially be comparable or competitive to a revenue-focused, multi-use arts, cultural and event center in Thornton. We profiled these larger facilities in the rest of this section.

Concert/Theater Venues (In Alphabetical Order)

1. Denver Performing Arts Complex - Denver
2. Helen Bonfils Theatre Complex - Denver
3. Lincoln Center- Fort Collins
4. Macky Auditorium Concert Hall - Boulder
5. Paramount Theatre - Denver
6. Union Colony Civic Center - Greeley



Please note that we contacted the operators of each of these facilities, and not all the operators could provide us with the same quantity and caliber of data.

The facility information provided on the following pages represents the best available data that the facility operators were able to provide.

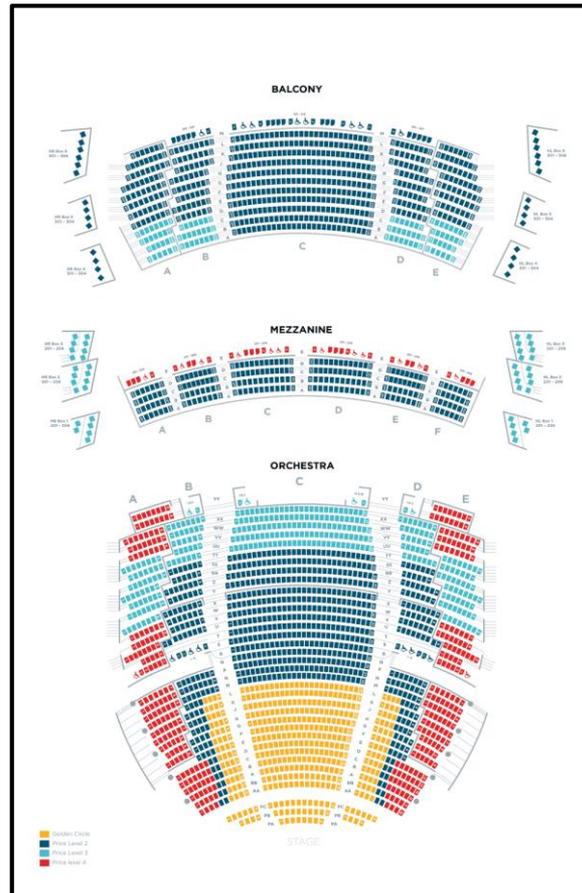
- Location: Denver
- Renovations: The Complex has undergone over \$130 million in renovations over the last three decades
- Owner/Operator: City & County of Denver
- Facility Features:
 - Buell Theatre - 2,884 seats
 - Boettcher Concert Hall - 2,679 seats
 - Ellie Caulkins Opera House - 2,225 seats
- Average Annual Events: Over 1,300 ticketed and non-tickets
- Average Attendees Per Event: 2,241 (Buell Theatre)
- Average Gross Ticket Sales Per Event: \$140,152
- Annual Operating Budget: \$10.2 million
- Annual Subsidy: DPAC is subsidized by the earnings of the Red Rocks Amphitheatre

**DENVER
PERFORMING
ARTS COMPLEX**



The Denver Performing Arts Complex (DPAC) consists of three theaters and the separate Helen Bonfils Theatre Complex (operated by the Denver Center for the Performing Arts). The Buell Theatre is largest at the site with a seating capacity of 2,884. DPAC is located in the heart of Denver. The Complex is host to national ballet, operas, and Broadway shows. DPAC promotes in-house programming, co-promotes outside shows, and rents theater space to other groups. Rent is \$2,400 plus 10% of gross ticket sales.

Buell Theatre Seating Map



The Buell Theatre has a capacity of 2,884 seats. Other theaters at DPAC include The Ellie Caulkins Opera House (2,225 seats), and Boettcher Concert Hall (2,679 seats).



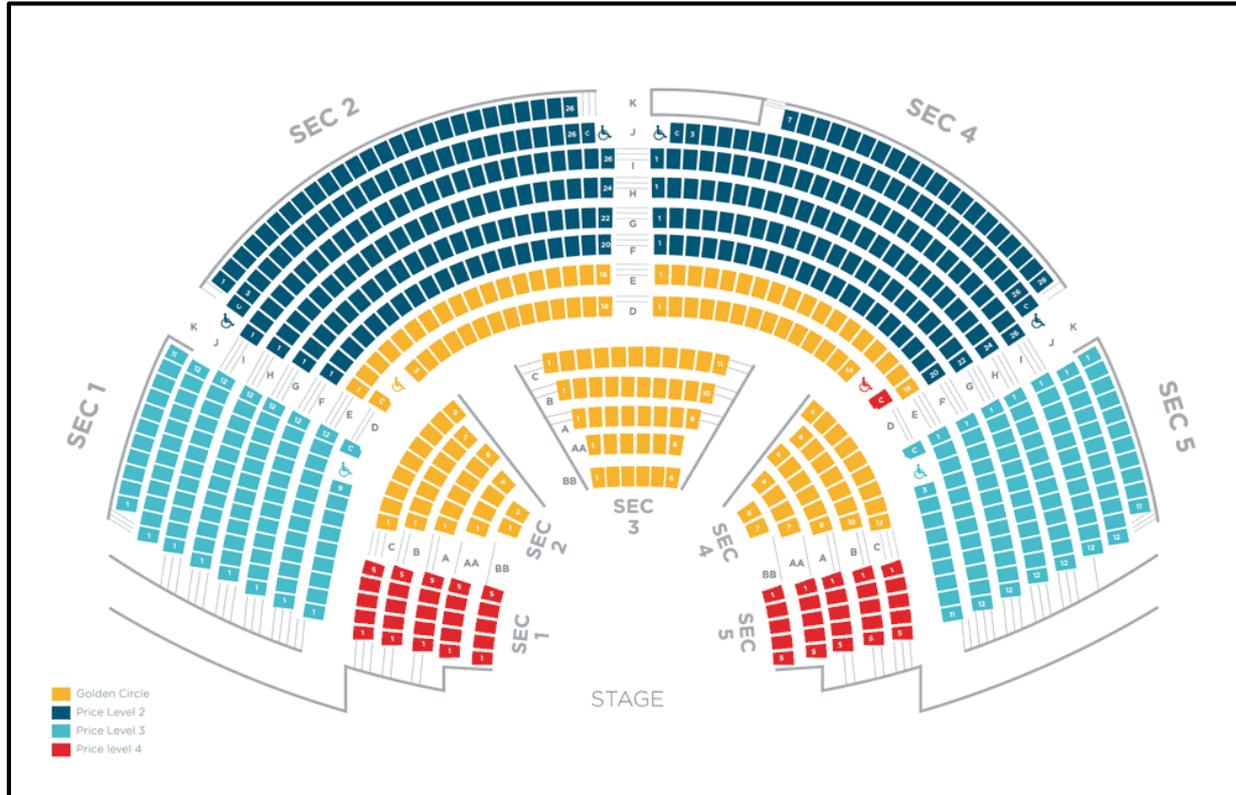
DENVER CENTER FOR THE
PERFORMING ARTS

- Location: Denver; Opened: 1978; Renovation: 2021 (Planned)
- Projected Renovation Cost: \$36M
- Funding: General Obligation Bonds, Donations
- Owner: City & County of Denver; Operator: Denver Center for the Performing Arts (DCPA)
- Facility Features:
 - Jones Theater - 150 seats
 - Ricketson Theatre - 250 seats
 - Space Theatre - 350 seats
 - Stage Theatre - 750 seats
 - Ballroom and meeting rooms
- Average Annual Events: 350



The Complex is planning for a large-scale renovation set to commence in early 2019. The renovation is being funded by City General Obligations Bonds (\$19 million), DCPA Trustees (\$8 million), and \$9 million from other contributions. The renovations are planned to be fully complete in 2021. The Complex rents its spaces out at rates between \$500 and \$6,000. DCPA also charges a 10% seat tax.

The Stage Theatre Seating Map



The Stage Theatre is the largest at the Complex (778 seats). Other theatres include The Space Theatre (550 seats), The Ricketson Theatre (250 seats), and The Jones Theatre (150 seats).

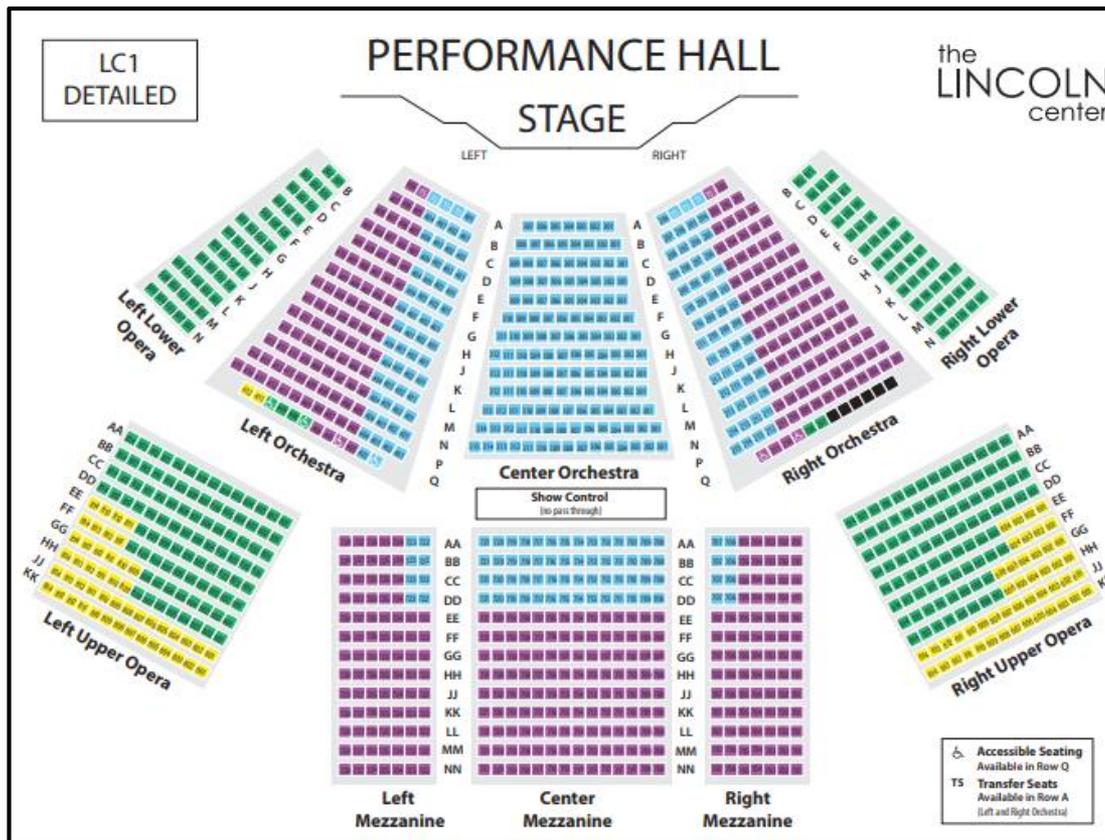
- Location: Fort Collins; Facility Footprint: 79,000 sq. ft.
- Renovated: 2011; Renovation Cost: \$8.4M (estimated \$11.4M in 2018 dollars*)
- Funding: City Funds
- Owner/Operator: City of Fort Collins
- Facility Features:
 - Performance Hall - 1,180 seats
 - Magnolia Theatre - 220 seats
- Average Annual Events: 322 (between the two theaters)
- Average Attendees Per Event: 337
- Average Gross Ticket Sales Per Event: \$25,031
- Annual Operating Budget: \$3.9M
- Annual Cost Recovery: 92%

the
LINCOLN
center



The Lincoln Center was renovated in 2011. Approximately 73% of Lincoln Center's budget is generated by user fees, rentals, ticket and art sales, grants and sponsorships. Rentals for the facility range from \$1,180 to \$1,475 per day.

Seating Map



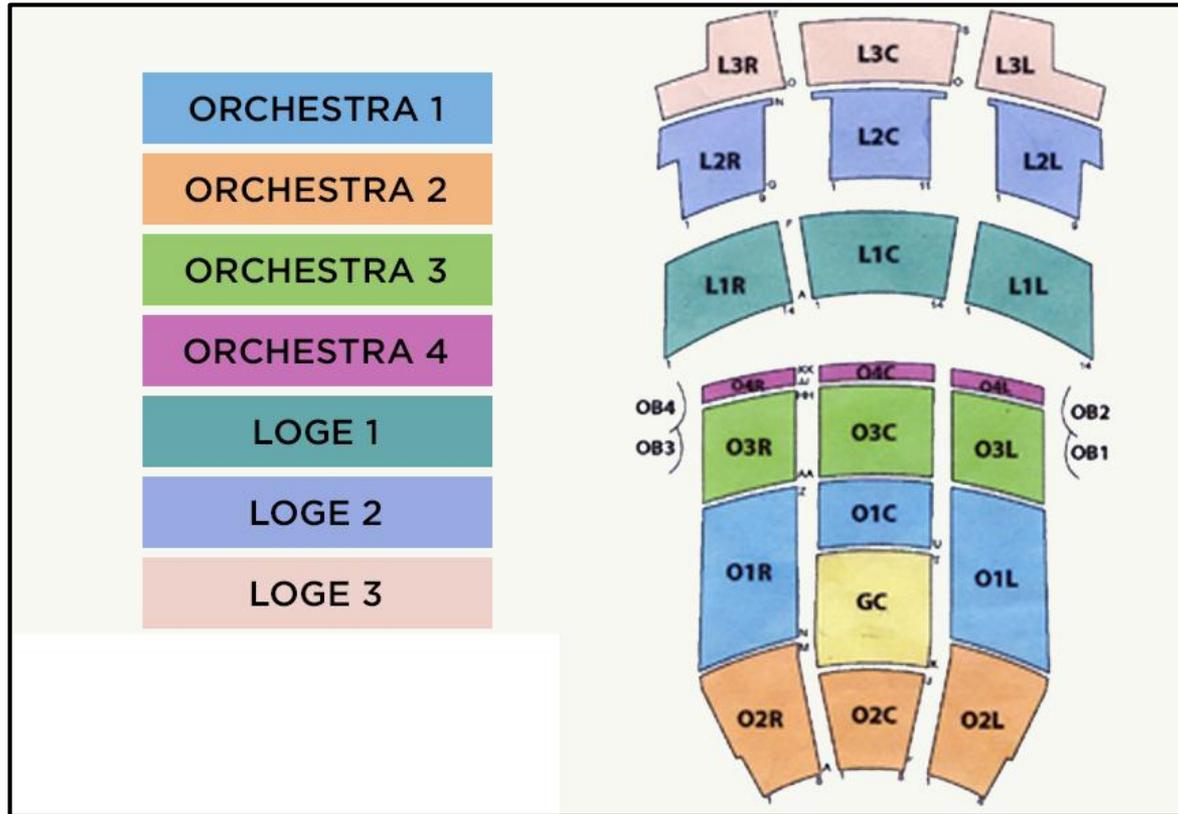
The performance hall has a seating capacity of 1,208.

- Location: Boulder
- Opened: 1922
- Owner/Operator: University of Colorado
- Facility Features:
 - Concert Hall - 2,048 seats
- Average Annual Events: 121
- Average Attendees Per Event: 900



The Macky Auditorium Concert Hall is located on the campus of the University of Colorado - Boulder. The Hall hosts multiple events including The Bluebird Music Festival, orchestra, theater, and ballet performances. The venue is available to rent for \$1,500 and 10% of gross.

Seating Map



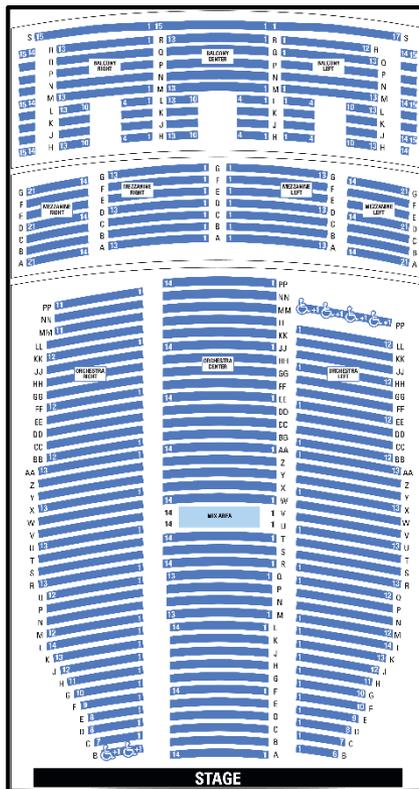
The Concert Hall has a seating capacity of 2,048.

- Location: Denver
- Opened: 1930 (Historical Landmark)
- Owner/Operator: Kroenke Sports & Entertainment
- Facility Features:
 - Theatre - 1,865 seats
- Average Annual Events: 90
- Average Attendees Per Event: 1,487
- Average Gross Ticket Sales Per Event: \$80,625



The Paramount Theatre is a historical landmark owned and operated by Kroenke Sports & Entertainment. The venue hosts concerts, comedians, and several other events annually. The Theatre is available to rent for \$2,750, 11% of gross, and \$4.50 per ticket charge.

Seating Map



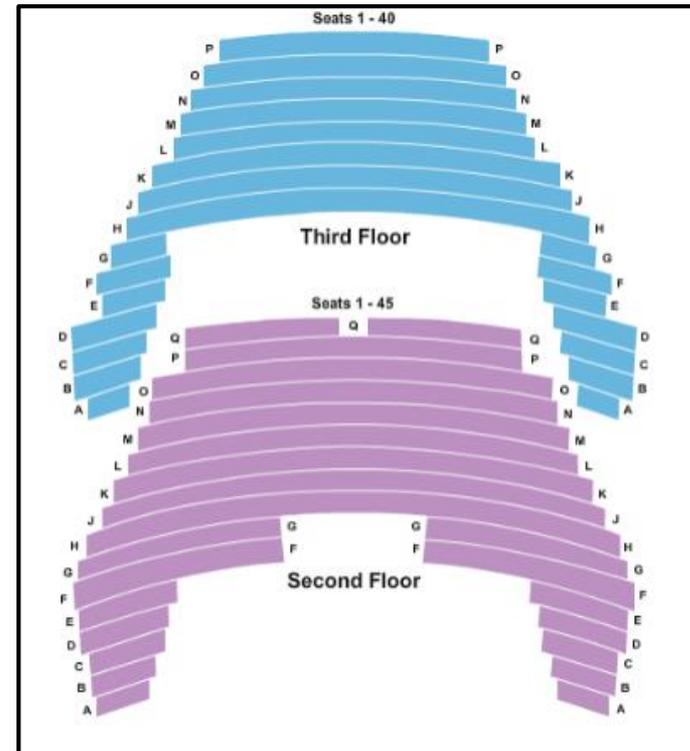
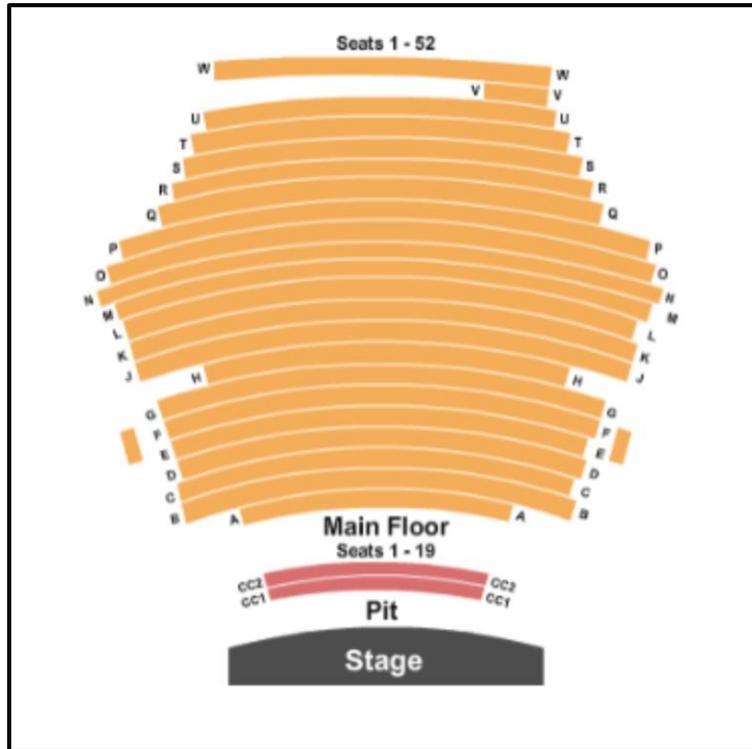
The Paramount has a total seating capacity of 1,865.

- Location: Greeley; Facility Footprint: 79,107 sq. ft.
- Opened: 1988; Cost: \$9.3M (estimated \$26.6M in 2018 dollars*)
- Funding: Half private, half public funds
- Owner/Operator: City of Greeley
- Facility Features:
 - Monfort Concert Hall - 1,700 seats
 - Hensel Phelps Theatre - 214 seats
- Average Annual Events: 290
- Average Attendees Per Event: 1,337
- Annual Operating Budget: \$2 million
- Annual Cost Recovery: 50%



The Civic Center is a concert venue located in Greeley. The venue hosts multiple concerts per year. The Center has two theaters; Monfort Concert Hall (1,700 seats) and Hensel Phelps Theatre (214 seats).

Seating Map



The Monfort Concert Hall at the Civic Center seats 1,700 attendees.

SEATING CAPACITIES

Seating capacity for the main theater at the concert/theater venues ranges from 750 to approximately 2,900 seats, with an average and median capacity of approximately 1,780.

CONSTRUCTION COSTS

Five of the six facilities/complexes reviewed in this section were historic theaters that have undergone or will undergo several renovation phases both over the past several decades and in the next decade). The majority of the renovation projects that were completed within the last 30 years were well over \$130 million in 2018 dollars.

FINANCIAL OPERATIONS

The privately owned/operated theaters that we reviewed all declined to provide financial operating data. Two publicly owned/operated theater facilities reported operating cost recoveries between 50% and 92%, with overall annual operating losses ranging from approximately \$300,000 up to \$1 million annually. It should be noted that none of the privately owned/operated theater representatives indicated that their facilities were losing money on an annual basis, and it was assumed that they would not continue to operate these facilities if they weren't generating annual net positive income.

ADDITIONAL COMPARABLE VENUE

As many of the venues above are historic theaters, we are including an additional comparable profile of a publicly-owned/publicly-built theater in the Salt Lake City market that is operated by a private operator. This theater, the Centerpoint Legacy Theatre, opened in 2011 and is operated at an annual net positive by a private operating/theater group. More details are provided on the following pages.

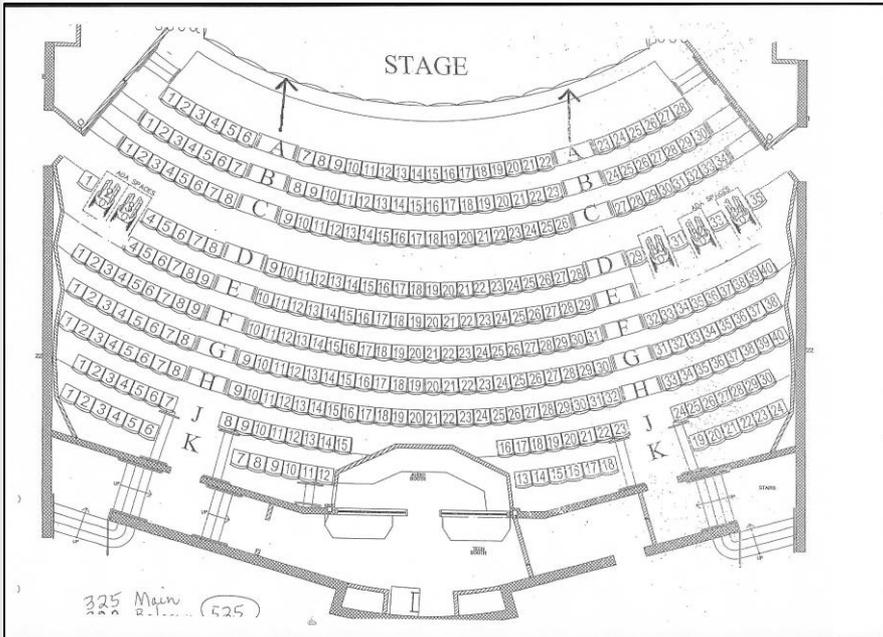
- Location: Centerville, Utah; Facility Footprint: 54,882 sq. ft.
- Opened: 2011; Cost: \$14.5M (estimated \$19.7M in 2018 dollars*)
- Funding: 100% public funds via various City tax sources
- Owner: Joint authority of the Cities of Centerville and Bountiful
- Operator: Centerpoint Theatre Company (private/non-profit)
- Facility Features:
 - Main theater - 550 seats
 - Small stage - 100 seats
- Average Annual Events: 7 stage productions per year, 28 shows per production
- Annual Operating Budget: \$1.8M
- Annual Cost Recovery: The facility turns a small annual operating income, and does not require an annual subsidy



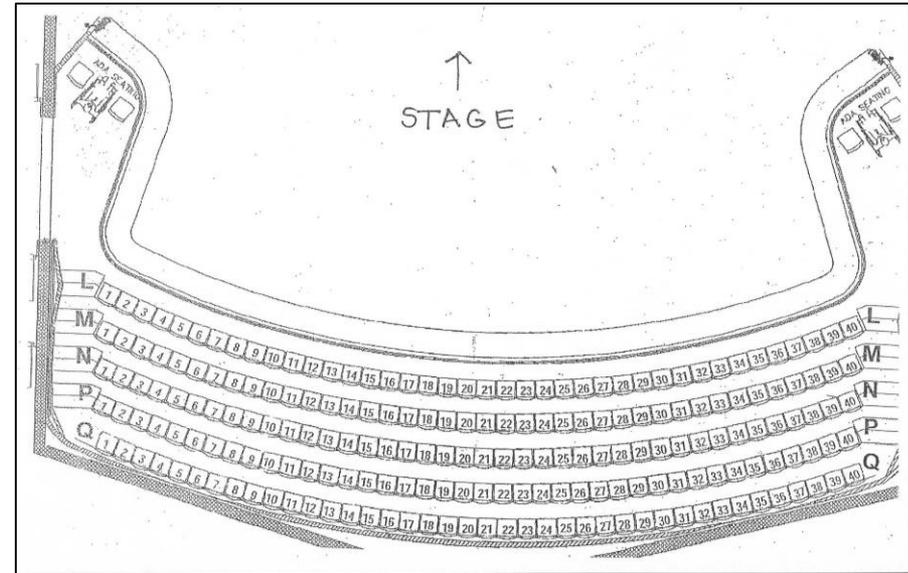
Centerpoint Legacy Theatre is operated privately without direct government subsidies, and in most years they are able to achieve a small positive net operating income. Centerpoint additionally supports their operations via both private donations and public/private grants, most of which are generated via their large annual fundraising event that they host at the Theatre.

Seating Map

Lower Level



Upper Level



The main theater at the Centerpoint Legacy Theatre seats 550 attendees.



4. LOCAL & REGIONAL USER GROUP INTERVIEWS

In November 2018, the City of Thornton identified local participants and scheduled a series of one-on-one interviews for Victus Advisors. The goal of these interviews was to gather feedback from key local arts group stakeholders and community leaders regarding the market potential for a new community-focused arts, cultural, and event center in Thornton. The set of topics and questions included perceptions of Thornton and its current arts, cultural, and event venue offerings, possible comparable and competitive venues and markets, and other feedback concerning the potential new venue.

ONE-ON-ONE INTERVIEWS - Victus Advisors conducted in-person interviews with representatives from the following 12 local groups and organizations:

- A Child's Song
- Adams County Cultural Society
- Adams County Genealogical Society
- Arts and Cultural Liaison, Adams County
- Broomfield Art Guild
- Lighthouse Christian Academy
- Thornton Arts Ambassadors
- Thornton Arts, Sciences and Humanities Council (TASHCO)
- Thornton Community Band
- Thornton Community Chorus
- Thornton Dance Programs
- Young Artists Alliance

Key highlights of these interviews are summarized by topic on the following pages. The highlights presented tend to focus on the topics and sentiments that were raised by multiples interviewees.

Perceptions of Current Arts, Cultural, and Event Facilities in Thornton

Many of the interviewees mentioned the Thornton Arts & Cultural Center (TACC) as the main venue used in the City for cultural and art events. Groups also said that they use high school auditoriums as venues to host events, although the high school venues can be too expensive for many local groups. Additionally, interviewees indicated that they also use community facilities outside of Thornton (primarily within a 30-minute drive) for their needs. These venues were mostly community centers or community theaters with affordable rental rates.

Beyond the TACC and the high schools, many interviewees feel that there is a demand for more affordable arts and cultural event center space in Thornton. Some groups said that the lack of affordable facilities limits what they can do in terms of arts and cultural programming including performances and classes/workshops. Another person said that the publicly-available facilities do not necessarily meet their needs but they adapt, based on the facilities that they can afford and have access to.

One interviewee mentioned that some of the local arts and cultural groups' biggest problems include finding affordable places with space available for them to perform, store instruments/equipment, rehearse, and to meet.

Location of a Potential New Arts, Cultural, and Event Facility in Thornton

Most interviewees felt that the growth in North Thornton make that area a good fit for a new arts, cultural, and event center. One interviewee mentioned that if the new facility were located in North Thornton (north of 120th Ave.), it could be easily accessible to all of the north Denver area. Other interviewees said that the existing retail and restaurants in North Thornton make the area a good location.

Other interviewees indicated that locating a new arts and cultural center in South Thornton could revitalize the area. Building the new facility in South Thornton could help spur economic development as well as provide access to grant money. One interviewee mentioned that people in North Thornton would travel to a venue in South Thornton, but not the other way around. Another interviewee said that there is greater support for the arts in North Thornton than in South Thornton.

Several interviewees mentioned that Thornton does not have a true downtown or “City Center” area. These interviewees suggested that the new arts and cultural center could be part of a larger effort to create such an area within Thornton. Some also view a centrally-located City Center concept as a way to connect North and South Thornton.

Location of a Potential New Arts, Cultural, and Event Facility in Thornton (cont.)

Many interviewees said that the location of the new facility should be easily accessible both to the local community and to other visitors. The prominent I-25 corridor was frequently talked about as an easily accessible, visible, and recognizable location that could attract patrons not only from Thornton but nearby communities and the greater Denver area.

Several interviewees believe that the new facility should be near the new light rail station to provide easy access and possibly added parking availability.

Lastly, many interviewed stated the desire for the facility to be in close proximity to retail, restaurants, and other amenities.

Ideal Facility

Many interviewees offered their suggestions about what amenities would be ideal for them, or what they would like to have at a new arts and cultural center. Several interviewees mentioned that the new facility should be multi-purpose and flexible. Several groups indicated that they need seating capacity between 400 and 600 seats. Other general amenities listed by interviewees included atrium/lobby space, other rentable room space, and dressing rooms.

Art groups would like to see a facility that has space for studios, classrooms, and workshops. Additionally these art groups indicated that a facility should have show space and display local artists. Dance and theater-related groups would like a large stage with a fly system and possibly an additional smaller black box theater. Dance groups also desired to have dance studio space.

Some groups would like a community facility while other groups expressed their desire for a larger performance venue.

Rent

Some of the groups interviewed indicated that they currently use some facilities rent-free. Other local groups mentioned that high rental costs at a new arts and cultural center could prevent them from using the facility. A few groups also stated that they want to make sure that the facility is affordable and accessible to local groups.

Victus Advisors also inventoried local groups in Thornton that could potentially afford to rent space in a new arts, culture, and event center. As seen below, there are only two local groups that we identified that could potentially pay a higher market rate rent in the proposed facility in Thornton.

<u>User Group</u>	<u>Facility Currently Using</u>	<u>Ability to Pay Market Rate Rent</u>
A Child's Song	Thornton Arts & Culture Center/Others	Minimal
Adams County Genealogical Society	Thornton Arts & Culture Center	None
Broomfield Art Guild	Thornton Arts & Culture Center/Others	Minimal
Funtaztikidz	Thornton Arts & Culture Center	Minimal
Local Artists	Thornton Arts & Culture Center/Others	None
Lighthouse Christian Academy	Skyview High School	Potential
Thornton Community Band	Thornton Arts & Culture Center/Others	Minimal
Thornton Community Chorus	Thornton Arts & Culture Center/Others	Minimal
Thornton Dance Programs	Thornton Arts & Culture Center/Others	Potential
Young Artists Alliance	Thornton Arts & Culture Center/Others	Minimal

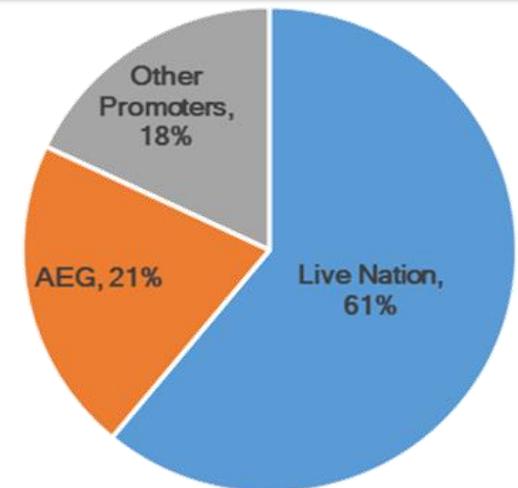
In addition to in-person interviews, Victus Advisors spoke with local, regional, and national concert promoters and facility operators to assess the market demand for a revenue-focused concert/performance venue in Thornton. In total we spoke with seven (7) different facility operators or concert promoters:

- AEG
- Kroenke Sports & Entertainment
- Live Nation (National)
- Live Nation (Colorado)
- SMG (National)
- SMG (Denver)
- Spectra

As shown at right, it is estimated that Live Nation and AEG control approximately 82% of the concert performance market in the United States.

Key Takeaway: *Relationships with Live Nation, AEG, and other national touring act promoters will be the key to long-term sustainable event usage at a new performance venue in Thornton.*

Estimated U.S. Concert/Entertainment Market Share by Annual Ticket Sales



Source: Pollstar

Market Demand for a New Performance Center in Denver Market

About half of the promoter/operators interviewed felt that the Denver market could benefit from a performance venue with fixed seating for less than 2,000 people. The other promoter/operators identified the market as saturated and that not many tours miss the market. A few promoter/operators stressed the fact that a new venue would most likely take events or shows from another existing venue in the market, therefore it would be imperative to have an established private operating partner who could route shows through the venue.

Perceptions of the City of Thornton as a Potential Location for a New Performing Arts Center

One promoter/operator stated that Thornton isn't as well-known a city as Westminster or Arvada. Another promoter/operator felt that plays and theatrical shows could be a main anchor for this facility. Most promoters/operators indicated that the proposed facility should be closer to Denver and cited 1st Bank Center in Broomfield as being too far away from Denver residents.

Ideal Facility

The consensus from the promoter/operators interviewed was that the proposed performance venue in Thornton should have a seating capacity no less than 1,000, with 1,500 being the optimal capacity. The promoter/operators indicated that anything lower, would make the facility very difficult to generate significant revenue.

Potential Interest in Operating a New Performing Arts Center in Thornton

Nearly all promoter/operators interviewed expressed interest in learning more about the potential opportunity to operate the proposed venue in the future. It should be noted that all promoter/operators that expressed interest in operating the facility had little interest in operating the facility without a fixed annual management fee paid by the City of Thornton.



5. CONCEPT & LOCATION RECOMMENDATIONS

Victus Advisors was tasked with identifying and evaluating the market demand for a proposed arts, cultural, and event center in Thornton.

Our recommendations, found on the subsequent pages of this section, address the following needs:

- A. **Concept Recommendations:** Defining the target audience and users, and identifying corresponding demand for amenities and components, such as square footage, seating capacities, a large theater, smaller theaters or black boxes, dressing rooms, kitchens/catering space, small recital studios/halls, class rooms, meeting rooms, gallery space, administrative offices, box office, concessions areas, multi-use lobby/foyer areas, special event and/or VIP donor areas, etc.

- B. **Location Analysis:** General location analysis for the proposed venue, based on what is essential and recommended in order to maximize usage/attendance and make the facility project as feasible as possible.

It should be noted that Victus Advisors provided concept recommendations for two different types of venues which were classified as **Community Theater** and **Revenue-Generating Theater**. Please note that we will analyze both types of facilities for the remainder of the report.



5. CONCEPT & LOCATION RECOMMENDATIONS

A. CONCEPT RECOMMENDATIONS

VENUE CONCEPT RECOMMENDATIONS: COMMUNITY THEATER

THORNTON THEATER STUDY - Victus Advisors carefully reviewed a 2018 study which was conducted by Barker Rinker Seacat Architecture. The study analyzed three types of community theaters that could potentially be built in Thornton.

VICTUS ADVISORS ANALYSIS - The following recommendations for the community theater are based on the Thornton Theater Study's findings, needs from local user groups we interviewed, comparable facilities, and Victus Advisors' event industry experience:

FACILITY FEATURES - Approximately 30,000 to 35,000 square foot venue , with a 500-seat theater for community and regional use and a 125-seat black box theater for smaller events. Additional amenities should include at least four (4) flex-rooms that can be utilized as classrooms, studios, art galleries, or other rental space; as well as a large lobby that can be used for receptions, weddings, and other banquet-type events. Additional recommended specifications are found below:

- At least 50' x 36' center stage, 2 17' x 25' side stages, and 40' x 20' orchestra pit
- Large lobby/foyer that can also be utilized for banquet/reception rentals, with adjacent catering kitchen
- Concessions stands (At least one (1) concessions point of sale for every 250 seats)
- Bathrooms (At least one (1) toilet stall per 50 seats, and one (1) urinal per 100 seats)
- Storage and construction areas for props, costumes, etc.
- Dressing rooms (at least 2) and green room
- Flex rooms for classrooms, studies, galleries, meetings, and other rentals
- Administrative offices

VENUE CONCEPT RECOMMENDATIONS: COMMUNITY THEATER (CONT.)

VENUE PROGRAMMING - If the focus is to serve the local community, it is recommended that the proposed venue should offer affordable rental rates for local non-profit groups. The recommended programming should include: classes/workshops, community events, in-house programming such as plays, musicals, and other performances. Additionally, a non-profit organization such as the Thornton Arts, Sciences and Humanities Council (TASHCO) or another local group could be considered as an option to help operate the venue.

PARKING - Per the Thornton Theater Study, it is recommended that the community theater have approximately 250-260 parking spots on-site.

VENUE CONCEPT RECOMMENDATIONS: REVENUE-GENERATING THEATER

VICTUS ADVISORS ANALYSIS - The following recommendations are based upon feedback from regional and national concert promoters, the City's desire to have a facility that required minimal annual operating subsidies, comparable concert facilities, and Victus Advisors' concert industry experience.

FACILITY FEATURES - Approximately 80,000 square foot venue, with a 1,500-seat, multi-tiered theater to attract regional and national touring acts. Additional revenue-generating spaces could include VIP seating and lounge areas; at least two (2) flex-rooms that can be utilized as meeting rooms, classrooms, studios, art galleries, or other rental space; as well as a large lobby that can be used for receptions, weddings, and other banquet-type events. Additional recommended specifications are found below:

- At least 50' x 36' center stage, 2 25' x 40' side stages, and 40' x 20' orchestra pit
- Full-fly system (56-foot fly loft)
- Large lobby/foyer that can also be utilized for banquet/reception rentals, with adjacent catering kitchen
- Full-service concessions stands (At least one (1) concessions point of sale for every 250 seats)
- Bathrooms (At least one (1) toilet stall per 50 seats, and one (1) urinal per 100 seats)
- VIP seating areas (opera boxes, club lounge, etc.)
- Storage and construction areas for props, costumes, etc.
- Dressing rooms (at least 4) and green room
- Flex rooms for classrooms, studies, galleries, meetings, and other rentals
- Administrative offices
- Box office

VENUE PROGRAMMING - To generate revenue, it is recommended that the proposed venue be focused on concerts, entertainment, and other touring acts that generate significant revenue via ticket sales and food/beverage. The recommended programming should include: concerts, comedy shows, Broadway shows, weddings, banquets, and corporate events. In order to attract and service these type of regional and national touring acts, it is likely that the venue would require a third-party operator with strong existing relationships with national event promoters.

PARKING - An event center typically requires at least one available parking spot within walking distance for every three attendees. For example, it is estimated that 1,500 event attendees could require nearly 500 total parking spots within a 5- to 10-minute walk. In addition, as many as 100 on-site parking spots should be provided for VIP customers, customers with disabilities, and staff. In terms of best practices for economic development, the City of Thornton should consider dispersing the necessary parking throughout an adjacent walkable area with restaurant/retail options that will encourage attendees to interact with local businesses and drive economic impact.

OTHER CONSIDERATIONS -

- A glass lobby/foyer with catering kitchen and views of mountains to the west could be a significant additional revenue source for the venue.
- As a concert-focused venue, it is imperative to have high-quality sound, acoustics, lighting, power outlets, etc.
- A large and convenient loading/unloading area will also be important for touring acts to quickly set up and take down sets, props, equipment, etc.



5. CONCEPT & LOCATION RECOMMENDATIONS B. LOCATION ANALYSIS

THORNTON THEATER STUDY - The study identified a site located on 88th Ave and Washington St. as the “most promising site” for a community theater in Thornton. Established business district, proximity to dining, and minimal site preparation costs were cited as some of the favorable factors.

VICTUS ADVISORS ANALYSIS - Based on discussions with comparable facility operators, as well as Victus Advisors’ industry experience, it has been determined that the most likely factors to impact the success of a community theater in Thornton include, but may not be limited to:

- Centralized location within City limits that is easily accessible to all residents
- Access to public transportation
- Free on-site parking

Whereas, factors that are important to a revenue-generating theater, but may not be as applicable to a community theater, include but are not limited to:

- Highway access and visibility
- Convenient proximity to restaurants and retail
- Opportunities for economic development by capturing new visitor spending within City limits

VICTUS ADVISORS RECOMMENDATION - When evaluating locations for a community theater that primarily serves local needs, economic and market factors typically are not the primary drivers of location selection. Rather, locations are typically determined by availability of publicly-owned land in a centralized location with convenient access to public transportation and space on-site for free parking.

LOCATION ANALYSIS: REVENUE-GENERATING THEATER

Based on discussions with event promoters and comparable facility operators, as well as Victus Advisors' event industry experience, it has been determined that the most likely factors to impact the success of a revenue-generating theater in Thornton include, but may not be limited to:

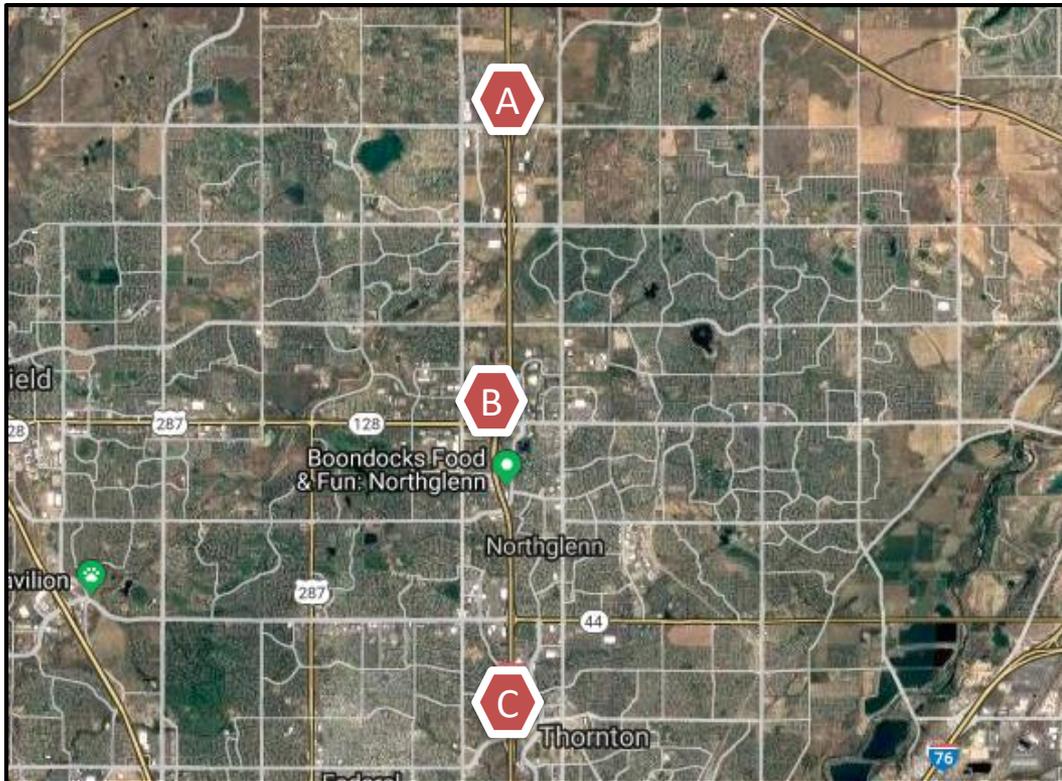
- Highway access
- Highway visibility
- Walkability to local retail and dining establishments
- Proximity to downtown Denver
- Easily accessible both to the local community and to other visitors from outside the City

It should also be noted that the definition for the long-term “success” of a revenue-generating theater in Thornton is assumed to include:

- Increasing regional awareness and visibility of the City of Thornton
- Attracting new visitors and direct spending to the City of Thornton
- Minimizing the potential for the City needing to providing significant long-term operating subsidies to the facility operator
- Providing Thornton residents with arts, culture, and entertainment events that are not currently available within City limits
- Revitalize areas of Thornton and spur additional ancillary development

LOCATION ANALYSIS: REVENUE-GENERATING THEATER (CONT.)

Based on the key factors discussed on the previous page, as well as site discussions and tours with City staff, Victus Advisors identified (3) general locations for the proposed venue, based on what is essential and recommended in order to maximize the long-term success of the venue. It should be noted that each of these areas shown below have highway visibility and quick access off of I-25.



Potential Locations*



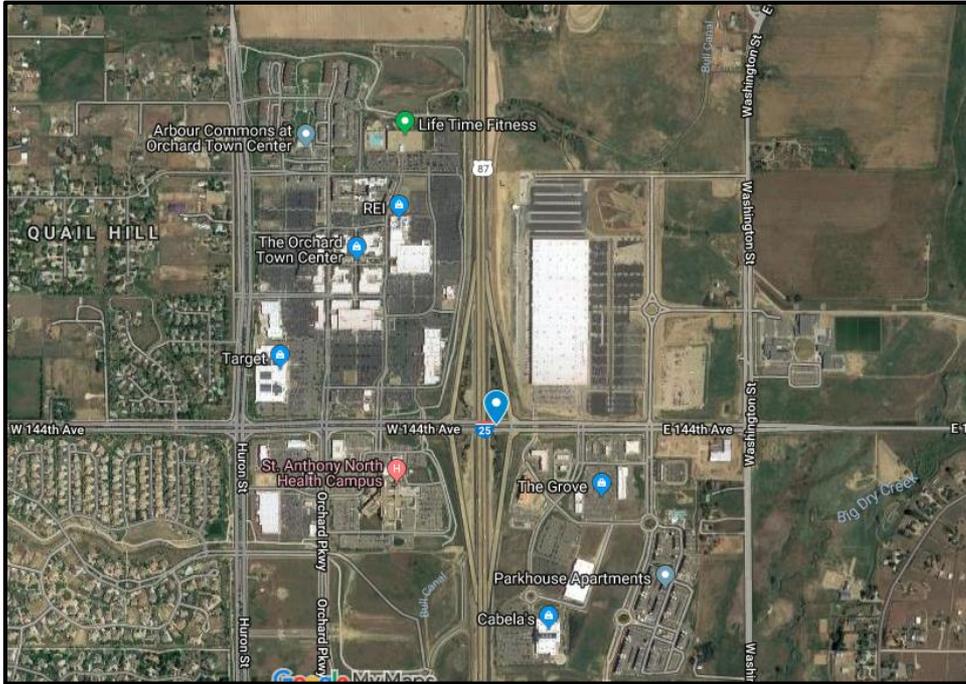
144th Ave Exit

120th Ave Exit

Thornton Parkway Exit

**presented in no particular order*

Source: Google Maps



Source: Google Maps

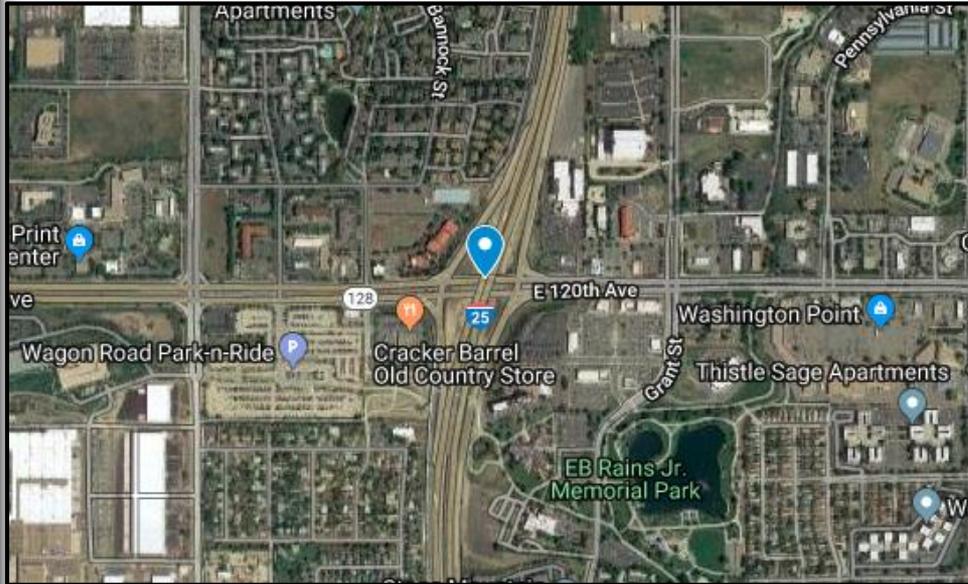
RETAIL: Shopping on or near 144th Ave is highlighted by the Orchard Town Center (Broomfield, west side of I-25), Stein Mart, and Cabela's (Thornton east side of I-25).

DINING: Dining on or near 144th Ave is highlighted by small local chains and quick service restaurants which are near major retail centers both in Broomfield and Thornton

POSITIVES: This area appears to have a lot of growth opportunity for more retail, dining, and residential development due to the presence of undeveloped land.

NEGATIVES: This area is not as heavily transited on the highway as shown in section 2 of this report. In addition, the distance from downtown Denver suggests that most potential visitors/users of the facility would come from Broomfield and other surrounding communities. Lastly, there could be significant economic leakage to the City of Broomfield since about half of the retail/dining options in the area are in Broomfield.

Source: Google Maps



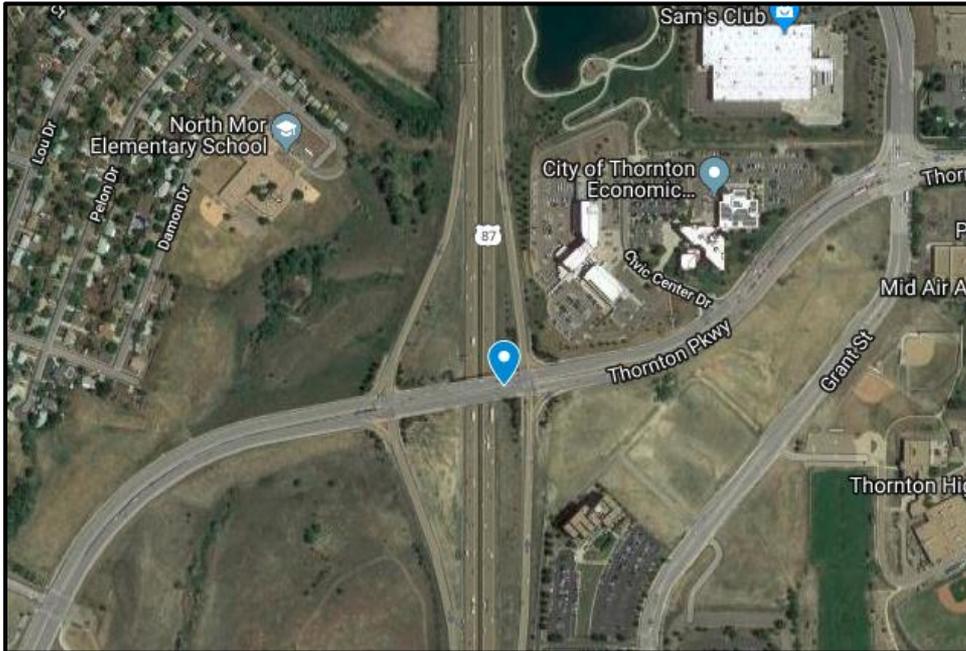
Source: Google Maps

RETAIL: Shopping on or near 120th Ave is highlighted by two shopping centers west and south of the exit, but both are in Northglenn.

DINING: Dining on or near 120th Ave is highlighted by small local chains and quick service restaurants which are mostly located in Northglenn.

POSITIVES: This area has plenty of retail and dining options and I-25 is heavily transited suggesting that visitors/users of the proposed facility would be coming from residents from multiple communities in the north and south.

NEGATIVES: There would be significant economic leakage to the City of Northglenn since the majority of the retail/dining options in the area are in Northglenn.



Source: Google Maps

RETAIL: Shopping on or near Thornton Parkway is highlighted by the Thornton Town Center to the north.

DINING: Dining on Thornton Parkway is highlighted by small local chains and quick service restaurants to the east.

POSITIVES: This area is off I-25 and is heavily transited suggesting that visitors/users of the proposed facility would be coming from multiple communities in the north and south. Additionally the area is about a 15-minute drive from Downtown Denver. Additionally, City Hall is right off the freeway. If land is available in the nearby area, additional development opportunities could begin to create a true “downtown Thornton”.

NEGATIVES: This area (also known as South Thornton) is considered the oldest part of Thornton. According to the City of Thornton, a significant percentage of the nearby residential area qualifies for Community Development Block Grant (CDBG) funding due to the presence of lower-income households.

After analyzing the three (3) general locations for a revenue-generating theater, Victus Advisors recommends that the Thornton Parkway Exit area be further explored as the preferred location. Main factors are considered below:

Highway Access and Visibility - More than 150,000 vehicles each day travel through the Thornton Parkway exit. Additionally, the area is easily accessible both to the local community and to other visitors.

Proximity to Downtown Denver - The area is about a 15-minute drive from Downtown Denver.

Proximity to Retail/Dining - There are plenty of retail/dining options to the north and east off the highway exit.

Redevelopment Opportunities - The development of an arts, cultural, and event center in South Thornton could revitalize the area and potentially spur additional ancillary development, thus creating a true “downtown Thornton.”

Need for a Downtown Thornton - Several interviewees mentioned that Thornton does not have a true downtown or city center area. These interviewees suggested that the new arts and cultural center could be part of a larger effort to create such an area within Thornton. Some also view a centrally-located city center concept as a way to connect North and South Thornton.



6. FINANCIAL & ECONOMIC ANALYSIS

Victus Advisors was tasked with conducting financial and economic analysis for both a community theater and a revenue-generating theater .

Our analysis is found on the subsequent pages of this section as follows:

- A. Preliminary Cost Estimates**
- B. Operating Projections & Subsidy Analysis**
- C. Funding Options Analysis**
- D. Economic Benefit Analysis**



6. FINANCIAL & ECONOMIC ANALYSIS: A. PRELIMINARY COST ESTIMATES

THORNTON THEATER STUDY

Barker Rinker Seacat Architecture estimated that a 31,346 sq. ft., 500-seat community theater could cost between \$20 and \$20.6 million (including soft costs, land costs, and contingencies) or between \$639 and \$659 per sq. ft. The variation in cost depended on the three sites in Thornton that were analyzed for potential construction.

VICTUS ADVISORS ANALYSIS

Based upon the metrics from comparable venues shown on the next two pages, Victus also developed a range of costs for a potential community theater and a revenue-generating theater. These metrics are based upon cost per square foot and cost per theater seat, in 2018 construction dollars.

<u>Venue</u>	<u>City</u>	<u>Est. 2018 Const./Reno. Cost*</u>	<u>Facility Sq. Ft.</u>	<u>Cost per Sq. Ft.</u>
Arts HUB	Lafayette	\$3,351,871	33,000	\$102
Arvada Center for the Arts & Humanities	Arvada	\$69,000,000	144,000	\$479
Centerpoint Legacy Theatre	Centerville, Utah	\$19,732,143	54,882	\$360
Lakewood Cultural Center	Lakewood	\$37,142,857	38,000	\$977
Lincoln Center	Fort Collins	\$11,431,034	79,000	\$145
Lone Tree Arts Center	Lone Tree	\$31,299,261	43,000	\$728
PACE Center	Parker	\$29,530,172	55,000	\$537
Union Colony Civic Center	Greeley	\$26,617,839	79,107	\$336
AVERAGE		\$28,513,147	65,749	\$458
MEDIAN		\$28,074,005	54,941	\$419

Note: Sorted by Venue in alphabetical order

**Via Turner Construction Cost Index*

COMMUNITY THEATER

Assuming a 31,346 sq. ft. footprint, analysis of comparable venues produces the following ranges of potential construction costs for a community theater (in 2018 construction dollars):

- Based on Average (\$458 per sq. ft.): \$14.4 million
- Based on Median (\$419 per sq. ft.): \$13.1 million

REVENUE-GENERATING THEATER

Assuming an 80,000 sq. ft. footprint, analysis of comparable venues produces the following ranges of potential construction costs for a revenue-generating theater (in 2018 construction dollars):

- Based on Average: \$36.6 million
- Based on Median: \$33.5 million

COST PER SEAT

Venue	City	Est. 2018 Const./Reno. Cost*	Total Seats in Facility	Cost per Seat
Arts HUB	Lafayette	\$3,351,871	195	\$17,189
Arvada Center for the Arts & Humanities	Arvada	\$69,000,000	750	\$92,000
Centerpoint Legacy Theatre	Centerville, Utah	\$19,732,143	650	\$30,357
Lakewood Cultural Center	Lakewood	\$37,142,857	320	\$116,071
Lincoln Center	Fort Collins	\$11,431,034	1,400	\$8,165
Lone Tree Arts Center	Lone Tree	\$31,299,261	484	\$64,668
PACE Center	Parker	\$29,530,172	500	\$59,060
Union Colony Civic Center	Greeley	\$26,617,839	1,914	\$13,907
Vintage Theatre	Aurora	\$1,000,000	200	\$5,000
AVERAGE		\$25,456,131	713	\$45,158
MEDIAN		\$26,617,839	500	\$30,357

Note: Sorted by Venue in alphabetical order

**Via Turner Construction Cost Index*

COMMUNITY THEATER

Assuming a 625-seat (500 main theater and 125 black box theater) venue, analysis of comparable venues produces the following ranges of potential construction costs for a community theater (in 2018 dollars):

- Based on Average (\$45,158 per seat): \$28.2 million
 - Based on Median: \$19.0 million

REVENUE-GENERATING THEATER

Assuming a 1,500-seat venue, analysis of comparable venues produces the following ranges of potential construction costs for a revenue-generating theater (in 2018 construction dollars):

- Based on Average: \$67.7 million
- Based on Median: \$45.5 million

Based upon the metrics from comparable venues shown on the last two pages, Victus projects the following range of construction costs, in 2018 construction dollars, depending on the ultimate size, scale, materials, and finishes of each facility:

- **Community Theater: \$13.1 to \$28.2 million**
- **Revenue-Generating Theater: \$33.5 to \$67.7 million**



6. FINANCIAL & ECONOMIC ANALYSIS: B. OPERATING PROJECTIONS & SUBSIDY ANALYSIS

Based upon feedback from interviewees, Victus Advisors believes the following local groups would be potential users of the proposed community theater:

- A Child's Song
- Adams County Cultural Society
- Adams County Genealogical Society
- Broomfield Art Guild
- Funtaztikidz
- Hannah Kahn Dance Company
- Lighthouse Christian Academy
- Thornton Arts Ambassadors
- Thornton Arts, Sciences and Humanities Council
- Thornton Community Band
- Thornton Community Chorus
- Thornton Dance Programs
- We HeART the Arts
- Young Artists Alliance

It should be noted that the majority of potential user groups would not be able to afford market rental rates at the proposed community theater.

The Thornton Arts & Cultural Center (TACC) hosted 11 official events during 2018 with a total attendance of just over 10,500. Activity at the TACC has been limited because of the active adult classes that have also been held at the facility throughout the year.

USAGE ESTIMATES: COMMUNITY THEATER (CONT.)

<u>Theater Users (PER DAY)</u>	<u>Estimated Event Days per Year</u>	<u>Estimated Attendees per event</u>	<u>Estimated Total Attendance</u>
A Child's Song	9	300	2,700
Lighthouse Christian Academy	6	300	1,800
Thornton Dance Programs	18	300	5,400
Other Theater Rentals	25	200	5,000
SUB TOTAL	58		14,900
<u>Community Room Users (PER HOUR)</u>	<u>Estimated Hours per Year</u>		
Adams County Cultural Society	24	10	240
Adams County Genealogical Society	24	10	240
Broomfield Art Guild	24	10	240
Funtaztikidz	48	20	960
Thornton Arts Ambassadors	40	25	1,000
Thornton Arts, Sciences and Humanities Council	48	12	576
Thornton Community Band	96	85	8,160
Thornton Community Chorus	48	25	1,200
We HeART the Arts	36	100	3,600
Young Artists Alliance	36	100	3,600
Other Community Events	100	40	4,000
SUB TOTAL	524		23,816
GRAND TOTAL			38,716

Victus Advisors estimates that the proposed community theater in Thornton could potentially host about 58 theater events (performances, recitals, workshops, meetings, etc.) over 500 hours of community room rentals, with just under 39,000 attendees (includes event participants, teachers, and spectators).

KEY FINANCIAL ASSUMPTIONS: COMMUNITY THEATER

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial pro forma for a new Community Theater in Thornton:

- The primary operating goal of this facility would be to provide City residents with affordable access to state-of-the-art cultural and artistic amenities.
- Financial projections have been developed for a multi-use community theater and are based on estimated programming, events, and other usage. These projections are intended to reflect stand-alone operations of the facility, and are not intended to reflect any individual City department budget.
- It is assumed that the City of Thornton would operate the facility with a dedicated full-time staff supported by some shared services (such as finance/accounting) and hourly labor (special events, etc.). All estimated labor and costs associated with this facility have been allocated to this pro forma, regardless of the City department that would provide such labor.
- These projections are intended to be applicable to any potential site in Thornton.
- The property/facility will be owned by the City of Thornton and thus exempt from property taxes.
- The Community Theater will provide access to local arts groups at affordable, non-profit rental rates.
- These projections are based on current market circumstances, and thus assume that there will be no other major changes to the available indoor arts facility inventory within the Denver market.
- Our utilization estimates and revenue model estimates are primarily based on metrics related to square footage, seating capacity, annual event activity, and creation of other daily programming.
- The financial projections displayed on the following page utilize a variety of additional assumptions, including data gathered from 3rd-party sources, information provided by the City of Thornton, local arts groups, and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.

OPERATING PRO FORMA: COMMUNITY THEATER

Operating Year:	1	2	3	4	5	6	7	8	9	10
OPERATING REVENUES										
Rent -Theaters	\$58,000	\$59,740	\$61,532	\$63,378	\$65,280	\$67,238	\$69,255	\$71,333	\$73,473	\$75,677
Rent - Community Rooms	\$58,000	\$59,740	\$61,532	\$63,378	\$65,280	\$67,238	\$69,255	\$71,333	\$73,473	\$75,677
Classes & Programs (net)	\$33,750	\$34,763	\$35,805	\$36,880	\$37,986	\$39,126	\$40,299	\$41,508	\$42,753	\$44,036
Estimated Grant Funding & Other Support	\$108,000	\$111,240	\$114,577	\$118,015	\$121,555	\$125,202	\$128,958	\$132,826	\$136,811	\$140,916
Concessions (Net)	\$21,000	\$21,630	\$22,279	\$22,947	\$23,636	\$24,345	\$25,075	\$25,827	\$26,602	\$27,400
Miscellaneous Income	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883	\$17,389	\$17,911	\$18,448	\$19,002	\$19,572
TOTAL OPERATING REVENUES	\$293,750	\$302,563	\$311,639	\$320,989	\$330,618	\$340,537	\$350,753	\$361,275	\$372,114	\$383,277
OPERATING EXPENSES										
Salaries, Wages, & Benefits	\$460,000	\$473,800	\$488,014	\$502,654	\$517,734	\$533,266	\$549,264	\$565,742	\$582,714	\$600,196
Utilities	\$134,000	\$138,020	\$142,161	\$146,425	\$150,818	\$155,343	\$160,003	\$164,803	\$169,747	\$174,840
Repairs & Maintenance	\$56,000	\$57,680	\$59,410	\$61,193	\$63,028	\$64,919	\$66,867	\$68,873	\$70,939	\$73,067
General, Administrative & Other	\$50,000	\$51,500	\$53,045	\$54,636	\$56,275	\$57,964	\$59,703	\$61,494	\$63,339	\$65,239
Supplies	\$40,000	\$41,200	\$42,436	\$43,709	\$45,020	\$46,371	\$47,762	\$49,195	\$50,671	\$52,191
TOTAL OPERATING EXPENSES	\$740,000	\$762,200	\$785,066	\$808,618	\$832,877	\$857,863	\$883,599	\$910,107	\$937,410	\$965,532
OPERATING INCOME(LOSS)	(\$446,250)	(\$459,638)	(\$473,427)	(\$487,629)	(\$502,258)	(\$517,326)	(\$532,846)	(\$548,831)	(\$565,296)	(\$582,255)
ANNUAL SUBSIDY REQUIREMENT	\$446,250	\$459,638	\$473,427	\$487,629	\$502,258	\$517,326	\$532,846	\$548,831	\$565,296	\$582,255
ESTIMATED COST RECOVERY	40%									

The proposed community theater is projected to produce approximately \$294,000 in total operating revenue in year 1 of operations, with an annual subsidy requirement of approximately \$446,000.

This model estimates annual cost recovery from operations of approximately 40% for a community-focused arts and culture venue.

LONG-TERM CAPITAL NEEDS: COMMUNITY THEATER

<i>Operating Year:</i>	1	2	3	4	5	10	15	20	25	30
Projected Net Operating Subsidy	(\$446,250)	(\$459,638)	(\$473,427)	(\$487,629)	(\$502,258)	(\$582,255)	(\$674,993)	(\$782,502)	(\$907,134)	(\$1,051,617)
Less: Recommended Annual Capital Reserve Funding	(\$100,000)	(\$103,000)	(\$106,090)	(\$109,273)	(\$112,551)	(\$130,477)	(\$151,259)	(\$175,351)	(\$203,279)	(\$235,657)
Total Annual Operating Subsidy and Capital Reserve	(\$546,250)	(\$562,638)	(\$579,517)	(\$596,902)	(\$614,809)	(\$712,732)	(\$826,252)	(\$957,853)	(\$1,110,414)	(\$1,287,274)
Cumulative Total - Annual Operating Subsidy & Capital Funding:	(\$546,250)	(\$1,108,888)	(\$1,688,404)	(\$2,285,306)	(\$2,900,115)	(\$6,262,144)	(\$10,159,657)	(\$14,677,942)	(\$19,915,873)	(\$25,988,071)

Notes: (1) 0.50% reserve funding scenario represents 0.50% of estimated facility construction costs, plus 3% annual inflation, contributed annually to a capital reserve fund. (2) Cumulative Capital Reserve is a conservative calculation of potential available funds, as no assumptions have been made for potential returns from holding Reserve Funds in an investment account or interest-bearing account.

It is expected that the proposed community theater (at a construction cost of about \$20 million per the Thornton Theater Study projection) would not generate positive annual net operating income that could potentially be depended upon for funding a long-term capital reserve fund for the facility. Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.5% of facility construction costs (or approximately \$100,000 in Year 1, increased annually for inflation) to a reserve fund. This capital reserve fund can be drawn upon by the City to pay for necessary capital maintenance and improvements as the facility ages. However, as shown above, it is not expected that facility operations could generate net operating income to fund this capital reserve. As such, the City of Thornton should consider alternative sources for capital reserve funding for a new venue. Over a 30 year period it is estimated that nearly \$26 million would be required in operating subsidies and capital maintenance funds. This amount would be in addition to the initial \$20 million estimated construction costs.

REVENUE DESCRIPTIONS: COMMUNITY THEATER

Revenue generated by the community theater in Thornton is expected to consist primarily of rentals, classes, concessions, and grant funding. A brief description of each revenue source is provided below.

Rental Income

Facility rent typically accounts for the largest revenue source for community theater. Rentals typically occur for practices/rehearsals, recitals/performances, and classes/workshops. We have conservatively assumed, based on competitive rental rates within the Denver market, that rental rates for the main theater would be approximately \$1,000 per event depending on user (non-profit/commercial). Additionally the rental rate for the black box theater would be about \$500 per event depending on user (non-profit/commercial). Lastly, we have conservatively assumed that rental rates for classrooms/studios would be approximately \$120 per hour depending on user (non-profit/commercial).

Classes & Programs

Arts classes and programs are a common source of revenue for community arts venues that is generated via fees paid by local adults and families/parents for participation in classes, academies, and performances. On average, we have assumed approximately 30 youth participants and 15 adult participants per week, at an average fee of \$50 per week, with an operating margin (after teacher/instructor costs and other administrative/promotional costs) of 30%, based on similar venues.

Concessions

Concessions revenue consists of sales of various food and beverage items at various points-of-sale throughout the facilities. Revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from community facilities across the country (approximately \$1-\$2 per visitor per day).

REVENUE DESCRIPTIONS: COMMUNITY THEATER (CONT.)

Grant Funding & Other Support

The Scientific and Cultural Facilities District (SCFD) is a special tax district that supports art, culture, and science organizations with annual grants and funds. In addition to grant funding, many community theaters are also able to generate additional local support via sources such as:

- Show sponsorships (financial contributions from local businesses and/or families and friends of the community theater in return for advertisements and a visual presence at the venue);
- Corporate memberships (group discounts and/or sponsorship opportunities for local businesses to support the proposed community theater year-round); and,
- Annual fundraisers (annual events hosted by the community theater to fundraise for support of the community theater's operations, upkeep, and maintenance).

At TACC in 2018, SCFD grants to support local arts programming equaled approximately \$52,000. To account for a significant increase in programming and usage in the new community theater (relative to TACC), we are estimating \$108,000 in annual grant funding support, which represents a 108% increase.

Miscellaneous Income

Other revenue opportunities would primarily consist of any equipment rental fees or other special services charges, as well as any potential parking fees charged for major events. We have conservatively projected up to \$15,000 in other annual revenues for the community theater.

EXPENSE DESCRIPTIONS: COMMUNITY THEATER

Operating expenses expected to be generated by the proposed community theater in Thornton include salaries, wages, and benefits, utilities, and other expenses. A brief description of each potential major source of expense is provided below.

Salaries, Wages & Benefits

We have assumed that the City would hire or allocate approximately 5.5 full-time equivalent employees for the community theater, including a full-time Executive Director, Administrative Support, Payroll/Finance Support, Program/Scheduling Coordinator, Operations/Technical Manager, and Maintenance and Custodial staff. Please note, we have allocated all expected labor and services provided to the community theater from City staff (regardless of department) to this operating pro forma, both from full-time dedicated staff and hours/labor provided by part-time or shared staff.

Utilities

Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities.

Repairs/Maintenance, Materials/Supplies, General/Administrative & Other Expenses

Other expenses expected to be incurred by the proposed community theater in Thornton include general and administrative expenses, repairs and maintenance, materials and supplies, promotional costs, professional services, telecommunications, travel costs, permits, service fees, special event insurance, and other such expenses. These expenses have been estimated based upon expenses at comparable venues.

USAGE ESTIMATES: REVENUE-GENERATING THEATER

	<u>Estimated Annual Event Days</u>	<u>Estimated Average Daily Event Attendance</u>	<u>Estimated Total Annual Attendance</u>
EVENTS:			
Main Theater Events	60	1,000	60,000
Community & Banquets/Meetings	35	300	10,500
TOTAL EVENTS:	95	742	70,500

Note: Sorted by Events in alphabetical order

Victus Advisors estimates that the proposed revenue-generating theater in Thornton could potentially host about 95 events (shows, meetings, etc.) with an annual attendance of about 70,500.

The following key assumptions were utilized by Victus Advisors in order to develop operating and financial projections for a new Revenue-Generating Theater in Thornton:

- Financial projections have been developed for a new revenue-generating theater and are based on estimated programming, events, and other usage.
- These projections are intended to be applicable to any potential site in Thornton.
- It is assumed that the facility will be operated by a qualified and experienced 3rd-party venue management firm.
- The property/facility will be owned by the City of Thornton and thus exempt from property taxes.
- The facility will offer competitive regional/national event center rental rates and aggressively market to 3rd-party events.
- These projections are based on current market circumstances, and thus assume that there will be no other major changes to the available indoor arts facility inventory within the Denver market.
- Our utilization estimates and revenue model estimates are primarily based on metrics related to square footage, seating capacity, annual event activity, and creation of other programming.
- The facility should be designed foremost with concerts/entertainment events in mind.
- The facility will have approximately 1,500 fixed seats.
- The financial projections displayed on the following page utilize a variety of additional assumptions, including data gathered from 3rd-party sources, information provided by the City of Thornton, regional and national concert/event promoters, and Victus Advisors' industry experience. There will be differences between these projections and actual events, and these differences may be material.

OPERATING PRO FORMA: REVENUE-GENERATING THEATER

	Operating Year:									
	1	2	3	4	5	6	7	8	9	10
OPERATING REVENUES										
Ticket Revenue (Net, after promoter split)	\$780,000	\$803,400	\$827,502	\$852,327	\$877,897	\$904,234	\$931,361	\$959,302	\$988,081	\$1,017,723
Other Rental Income	\$78,750	\$81,113	\$83,546	\$86,052	\$88,634	\$91,293	\$94,032	\$96,853	\$99,758	\$102,751
Concessions/Catering (Net of COGS)	\$396,000	\$407,880	\$420,116	\$432,720	\$445,701	\$459,073	\$472,845	\$487,030	\$501,641	\$516,690
Premium Seating	\$94,000	\$96,820	\$99,725	\$102,716	\$105,798	\$108,972	\$112,241	\$115,608	\$119,076	\$122,649
Additional Corporate Sponsorships/Support	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102	\$231,855	\$238,810	\$245,975	\$253,354	\$260,955
Facility Fees	\$240,000	\$247,200	\$254,616	\$262,254	\$270,122	\$278,226	\$286,573	\$295,170	\$304,025	\$313,146
Ticket Service Rebates	\$120,000	\$123,600	\$127,308	\$131,127	\$135,061	\$139,113	\$143,286	\$147,585	\$152,012	\$156,573
TOTAL OPERATING REVENUES	\$1,908,750	\$1,966,013	\$2,024,993	\$2,085,743	\$2,148,315	\$2,212,764	\$2,279,147	\$2,347,522	\$2,417,947	\$2,490,486
OPERATING EXPENSES										
Salaries, Wages, & Benefits	\$940,000	\$968,200	\$997,246	\$1,027,163	\$1,057,978	\$1,089,718	\$1,122,409	\$1,156,081	\$1,190,764	\$1,226,487
Utilities	\$338,000	\$348,140	\$358,584	\$369,342	\$380,422	\$391,835	\$403,590	\$415,697	\$428,168	\$441,013
Management Fee	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Repairs & Maintenance	\$121,000	\$124,630	\$128,369	\$132,220	\$136,187	\$140,272	\$144,480	\$148,815	\$153,279	\$157,878
Advertising & Promotions	\$110,000	\$113,300	\$116,699	\$120,200	\$123,806	\$127,520	\$131,346	\$135,286	\$139,345	\$143,525
Supplies	\$90,000	\$92,700	\$95,481	\$98,345	\$101,296	\$104,335	\$107,465	\$110,689	\$114,009	\$117,430
General & Administrative	\$87,000	\$89,610	\$92,298	\$95,067	\$97,919	\$100,857	\$103,883	\$106,999	\$110,209	\$113,515
General Insurance	\$32,000	\$32,960	\$33,949	\$34,967	\$36,016	\$37,097	\$38,210	\$39,356	\$40,537	\$41,753
Other	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	\$23,881	\$24,597	\$25,335	\$26,095
Professional Services	\$12,000	\$12,360	\$12,731	\$13,113	\$13,506	\$13,911	\$14,329	\$14,758	\$15,201	\$15,657
TOTAL OPERATING EXPENSES	\$1,900,000	\$1,957,000	\$2,015,710	\$2,076,181	\$2,138,467	\$2,202,621	\$2,268,699	\$2,336,760	\$2,406,863	\$2,479,069
OPERATING INCOME(LOSS)	\$8,750	\$9,013	\$9,283	\$9,561	\$9,848	\$10,144	\$10,448	\$10,761	\$11,084	\$11,417
ANNUAL SUBSIDY REQUIREMENT	\$0									
ESTIMATED COST RECOVERY	100%									

The proposed revenue-generating theater is projected to produce just over \$1.9 million in total revenue in year 1 of operations, with no annual operating subsidy (which includes an estimated \$150,000 third-party management fee). It is estimated that the venue could be privately operated by an experienced third-party theater manager at approximately break-even on an annual basis.

LONG-TERM CAPITAL NEEDS: REVENUE-GENERATING THEATER

Operating Year:	1	2	3	4	5	10	15	20	25	30
Projected Net Operating Income	\$16,750	\$17,253	\$17,770	\$18,303	\$18,852	\$21,855	\$25,336	\$29,371	\$34,049	\$39,472
Less: Recommended Annual Capital Reserve Funding	(\$175,000)	(\$180,250)	(\$185,658)	(\$191,227)	(\$196,964)	(\$228,335)	(\$228,335)	(\$228,335)	(\$228,335)	(\$228,335)
Total Annual Operating Subsidy and Capital Reserve	(\$158,250)	(\$162,998)	(\$167,887)	(\$172,924)	(\$178,112)	(\$206,480)	(\$202,999)	(\$198,964)	(\$194,286)	(\$188,863)
Cumulative Total - Annual Operating Subsidy & Capital Funding:	(\$158,250)	(\$321,248)	(\$489,135)	(\$662,059)	(\$840,171)	(\$1,814,159)	(\$2,836,324)	(\$3,839,453)	(\$4,820,516)	(\$5,775,997)

Notes: (1) 0.50% reserve funding scenario represents 0.50% of estimated facility construction costs, plus 3% annual inflation, contributed annually to a capital reserve fund. (2) Cumulative Capital Reserve is a conservative calculation of potential available funds, as no assumptions have been made for potential returns from holding Reserve Funds in an investment account or interest-bearing account.

It is expected that the proposed revenue-generating theater (at a construction cost of about \$35 million) would generate positive annual net operating income, although it is not expected that annual operating income could reliably be depended upon for funding a long-term capital reserve fund for the facility. Current industry best practices for long-term capital needs is to annually contribute an amount equal to at least 0.5% of facility construction costs (or approximately \$175,000 in Year 1, increased annually for inflation) to a reserve fund. This capital reserve fund can be drawn upon by the City (as the owner of the facility) to pay for necessary capital maintenance and improvements as the facility ages. However, as shown above, it is not expected that facility operations could generate enough net operating income to fund this capital reserve. As such, the City of Thornton should consider alternative sources for capital reserve funding for a new venue. Over a 30 year period it is estimated that more than \$5.7 million would be required in capital maintenance funds. This amount would be in addition to the initial \$35 million estimated construction costs.

Revenue generated by the proposed revenue-generating theater in Thornton is expected to consist primarily of ticket sales, rental income, concessions/catering, premium seating, ticketing fees, etc. A brief description of each potential revenue source is provided below.

Ticket Sales (or Rent)

Facility rental agreements typical incorporate either a flat rental rate and/or a percentage of gate receipts generated by the event, subject to negotiations with each event organizer. For concerts and other entertainment events, we have assumed that the facility would have an 80-20 split on average (80% of the gross to promoters/talent and 20% to the facility).

Other Rental Income

We have assumed that rental rates for events such as banquets and corporate meetings, etc. would range between \$2,000 and \$2,500 per event/day depending on user (non-profit/commercial). Additional fees related to rent would include technical services (audio/visual, piano usage, etc.).

Concessions/Catering

Concessions/catering revenue consists of sales of various food and beverage items at various points-of-sale throughout the facility. Revenue assumptions are based on estimated usage and attendance, and comparable per capita spending from facilities across the country (approximately \$10 per visitor per event).

Premium Seating & Additional Corporate Support

We have assumed that up to 100 premium seats (via club seats or box seats) could be available, with about 75% sold on an annual basis for \$1,250 per seat per year (plus tickets). In addition, we have also estimated that \$200,000 per year in additional corporate support could be generated via advertising, sponsorships, and naming rights.

Facility Fee

Ticket sales that are handled through the facility's box office will charge additional box office transaction fees (or facility fees) per ticket. Fees can commonly range from \$1.00 to \$5.00 or more per ticket sold, depending on the facility. We have assumed the average facility fee for the proposed revenue-generating theater in Thornton would be \$4.00.

Ticket Service Rebate

Event centers and other such entertainment venues often utilize a third-party ticket seller (such as Ticketmaster, Ticketfly, Tickets.com, etc.) to handle non-box office ticket sales for their events. Ticket sellers generally collect a convenience charge on each ticket sold, a portion of which can be rebated to the facility. For this analysis, we have assumed that convenience charges would be levied on ticketed events (up to \$6.00), with 30% of collections rebated to the facility. These assumptions are in line with comparable facilities in the U.S.

EXPENSE DESCRIPTIONS: REVENUE-GENERATING THEATER

Operating expenses expected to be generated by the proposed revenue-generating theater in Thornton include salaries, wages, and benefits, utilities, and other expenses. A brief description of each potential major source of expense is provided below.

Salaries, Wages & Benefits

We have assumed that the community theater would hire (11) full-time employees for the revenue-generating theater, including a General Manager, Administrative Assistant, Finance Director, Human Resources Manager, Sales Manager, Marketing Coordinator, Box Office Manager and Staff, and Maintenance and Custodial staff. Lastly, we have assumed at least \$40,000 per year in additional part-time and seasonal labor.

Utilities

Utilities often represent one of the largest expenses incurred by facility operators. Cost estimates for utilities include use of electricity, gas, water, and steam, and are based upon comparable utility costs per square foot at similar facilities.

Management Fee

Based upon our experience the minimum annual third-party operating fee for a concert/entertainment venue is typically in the range of \$150,000 per annum, but can go upwards from there depending on the size/scale of the facility, and/or incentive pay that is typically tied to generating higher levels of positive annual operating income.

Other Expenses

Other expenses expected to be incurred by the proposed revenue-generating theater in Thornton include general and administrative expenses, repairs and maintenance, materials and supplies, marketing/advertising costs, insurance, and other such expenses, as described below:

- Maintenance and repairs for structures, equipment, grounds, etc.
- Materials and supplies for administration and operations of the facility
- General liability insurance to cover the grounds, restrooms, and other such areas
- Office and administrative expenses, including but not limited to marketing and advertising, telecommunications, travel costs, permits, service fees, and other such operating expenses

These expenses have been estimated based upon expenses at comparable venues.



6. FINANCIAL & ECONOMIC ANALYSIS: C. FUNDING OPTIONS ANALYSIS

The purpose of this analysis is to provide an overview of the various debt vehicles and revenue sources that could potentially be utilized to fund construction and development costs for either a new community theater or a new revenue-generating theater in Thornton. This analysis is based upon a review of comparable facilities across the country, as well as unique financing vehicles that may be available in Colorado.

The analysis in this section is organized into two primary sections, with debt-related financing vehicles presented at the beginning, followed by a summary of various revenues streams that are often used to pay facility debt service. Please note, the options in these two sections are presented in alphabetical order:

:

Debt Financing Tools:

- Certificates of Participation
- General Obligation Bonds
- Revenue Bonds

Potential Revenue Streams to Pay Debt Service:

- Ad Valorem Taxes
- Contractually Obligated Revenue Streams
- General Funds
- Parking Surcharges
- Tax Increment Financing

Description:

Certificates of Participation (COPs) are financial instruments whereby investors purchase shares of the lease revenues rather than a fixed bond payment being secured by those revenues. COPs typically do not require the government entity to repay the certificate holders beyond the annual lease appropriations, and thus do not typically require voter approval.

Pros and Cons:

Although COPs can offer greater flexibility for the issuer, the marketability of COPs depends on investors' perceptions of the risk and reliability associated with the dedicated lease revenues. As a result, COPs usually have a higher interest rate than traditional GO bonds, and in some cases, in order to reduce investor risk a public sector entity issuing COPs has had to provide a commitment to back the COPs in the case of project default. It should also be noted that COPs can prove to be more administratively complicated for the issuer, as they typically rely on a trustee for handling payments and distributing payments to certificate holders.

Additional Notes:

It should be noted that COPs were utilized in Thornton in 2002 to purchase the City's Civic Center and the property on which the City's Justice Center was constructed, and to provide funds to construct the Justice Center, via the Capital Asset Finance Corporation (CAFC).

Description:

The City of Thornton could use the full faith and credit of the City to issue General Obligation (GO) bonds for all or part of the proposed community or revenue-generating theater. GO bonds are secured by the issuing government entity's pledge to use all legally available resources, including tax revenues, to pay debt service.

Pros and Cons:

Direct public contributions to facility construction costs typically require public ownership of the facility. The primary advantage of GO bonds is that they typically carry a lower interest rate, assuming the issuing government entity carries a strong credit rating. Generally speaking, the better the issuer's credit rating, the lower the interest rate. The primary disadvantage associated with GO bond financing is that the GO indebtedness reduces the available bonding capacity for other capital projects the City may be planning.

Additional Notes:

According to the City's Financial Statements, as of December 31, 2017, the City does not have any outstanding GO bonds. It should be noted that per the City of Thornton Charter, the City's general obligation debt should not exceed 10 percent of the total assessed property value. Lastly, by law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Description:

Revenue Bonds are typically payable solely from the revenues of the project that is being financed, or from a dedicated tax increase or related tax increment. Since debt service is tied to the success of the project, revenue bonds are considered to have a higher risk of default than GO bonds and thus carry a higher interest rate.

Revenue bonds have previously been used in Thornton backed by the following revenue streams: Water Enterprise Revenue, Sales & Use Tax Revenue, and Tax Increment (Property Tax, Sales & Use). Investment banks that issue Tax Increment debt typically require an independent market analysis that shows net incremental tax streams from the project could be conservatively estimated to cover debt service, thus lowering the risk of default and making the bonds more marketable to investors.

As shown below, depending on the interest rate and debt coverage ratio, it is generally estimated that for every \$1M of revenue that is applicable to debt service, 30-year revenue bonds could fund anywhere from \$7M to \$14M in project costs:

Interest Rate	Bond Term (Yr)	Funding Capacity per \$1M of Available Project Income			
		Debt Coverage Ratio:			
		1.25x	1.5x	1.75x	2.0x
4%	30	\$13,833,627	\$11,528,022	\$9,881,162	\$8,646,017
5%	30	\$12,297,961	\$10,248,301	\$8,784,258	\$7,686,226
6%	30	\$11,011,865	\$9,176,554	\$7,865,618	\$6,882,416

Description:

Ad valorem taxes are taxes collected on the value of a transaction or property, typically in the form of property taxes or sales taxes. In FY2017, sales and use taxes accounted for more than 79% of the City of Thornton’s general revenue. Within the City, an 8.5% sales tax (4.75% state tax and 3.75% local tax) is assessed. The chart below illustrates the current sales taxes for cities within Adams County. Thornton’s local rate, and overall rate, is lower than the average.

City	Overall Sales Tax	Local Rate
Aurora	8.00%	3.75%
Bennett	7.75%	4.00%
Brighton	8.50%	3.75%
Broomfield	8.15%	4.15%
Commerce City	9.25%	4.50%
Federal Heights	8.75%	4.00%
Irondale	9.25%	4.50%
Northglenn	8.75%	4.00%
Thornton	8.50%	3.75%
Westminster	8.60%	3.85%
Average	8.55%	4.03%
Median	8.55%	4.00%

Note: Sorted by City in alphabetical order

It should also be noted that, in lieu of sales taxes, the City of Thornton assesses a 7% lodging tax on accommodation rentals of less than 30 consecutive days within the City. Many communities across the country have utilized tourism taxes (and specifically lodging taxes) to help fund capital facility projects that will drive incremental heads in beds in the community. However, most users of a new theater venue in Thornton would be expected to come within a 30-minute drivetime range.

Description:

The City of Thornton could choose to support the proposed community or revenue-generating theater with general funds from the City's budget. Allocation of general funds typically requires available funds (or an unexpected revenue windfall) that is free and clear of any other municipal obligation.

In most cases where general funds have been used to develop comparable facilities, general funds have not been used to pay for the entire capital project, but rather used to pay a portion of development costs and thus reduce the amount of debt that needs to be issued.

As of the end of FY2017, the most recent year for which a CAFR is available, the City's General Fund had a total balance of \$37.3 million, of which more than \$9.6 million was unassigned.

Description:

Contractually Obligated Revenue (COR) is facility-related revenue that is typically generated by multi-year contracts on commercial leases and naming rights:

- **Commercial Leases:** If the project includes any commercial store, office and/or restaurant lease space, those spaces can provide lease income to go toward the payment of debt service, and/or cover maintenance and operations expenses.
- **Naming Rights:** Private sector corporations often purchase long-term naming rights on large public venues. However, it should be noted that naming rights revenue is typically vital to the successful annual operations of the facility, and therefore may not be recommended for capital funding uses, unless the City is prepared to subsidize larger annual operating losses.

Description:

Another revenue option would be to charge for parking at the facility for events.

The following table shows the projected revenue for different scenarios by adjusting the number of cars parked annually and parking charge per car. If 20,000 cars were parked per year at \$5.00 per car, it is estimated that more than \$1.1 million could be raised for construction costs.

Annual Cars Parked	Estimated Funding Potential via Per Car Surcharge				
	\$1.00	\$2.00	\$3.00	\$4.00	\$5.00
10,000	\$116,270	\$232,540	\$348,810	\$465,080	\$581,350
20,000	\$232,540	\$465,080	\$697,620	\$930,160	\$1,162,700
30,000	\$348,810	\$697,620	\$1,046,430	\$1,395,240	\$1,744,050
40,000	\$465,080	\$930,160	\$1,395,240	\$1,860,320	\$2,325,400
50,000	\$581,350	\$1,162,700	\$1,744,050	\$2,325,400	\$2,906,750

Note: Assumes 30-year bonds, 1.25x coverage ratio, 5.5% interest

Description:

Tax increment financing (TIF) involves capturing assessed valuation growth within a specific area (e.g. “TIF district”) related to a particular development. Tax increment financing often requires enactment of legislation by a State legislature. Typically, a redevelopment agency delineates a project area and declares a base year. The additional assessed valuation, added to the tax rolls over the base year, is taxed at the same rate as the base valuation. However, the incremental tax revenues attributed to the new valuation are remitted to the redevelopment agency and used to pay debt service.

Additional Notes:

TIF districts can be a powerful tool for financing facilities using incremental tax revenues resulting from arts facility-anchored redevelopment, rather than raising tax rates. However, in order for TIF to be viable, the proposed community theater or revenue-generating theater must be a component of a larger redevelopment area, and approvals typically must be obtained from the relevant taxing authorities within the defined district. TIF could potentially be a viable option for the City of Thornton if the proposed facility is part of a larger redevelopment district.

It should also be noted that the City currently has Tax Increment Bonds payable related to two different development areas, based upon incremental property tax and sales/use tax within the boundaries of:

- North Washington Street Corridor Area
- East 144th Ave. and I-25 Area



6. FINANCIAL & ECONOMIC ANALYSIS

D. ECONOMIC BENEFIT ANALYSIS

COMMUNITY THEATER

Venues that are focused on affordable community access and local usage typically do not generate significant economic or fiscal impacts in the community. Participants and attendees of these venues tend to be local residents who live within a short driving distance. They are also unlikely to spend incremental money within the City on retail, dining, or lodging in relation to their visit to the venue.

REVENUE-GENERATING THEATER

Venues that are focused on generating ticket sales and revenue tend to have significant economic impact. These venues typically can attract attendees from within a 30-60 minute drive time radius. Although these attendees are unlikely to stay overnight at a nearby hotel, they will often spend money on dining before, during, and even after attending an event near the facility.

As a result of the above, only the economic and fiscal impact of a revenue-generating theater will be analyzed on the subsequent pages.

Based on stakeholder interviews as well as Victus Advisors' industry expertise, an events and entertainment facility could be expected to have the following local intangible impacts, among others:

COMMUNITY THEATER VS. REVENUE-GENERATING THEATER

Intangible Benefit	Community Theater	Revenue-Generating Theater
Increased perception of the area as an attractive place for new visitors, residents, and businesses	✓	✓
Increased community pride and quality of life for local/regional residents	✓	✓
Access to additional meeting and banquet space for local and regional rentals	✓	✓
Regional exposure and branding for the City of Thornton via new visitors, television, radio, online, print, word-of-mouth, etc.		✓
Access for local residents to regional and national ticketed concerts without having to leave Thornton		✓
Access to a state-of-the-art cultural venue for a wide variety of arts programs and opportunities	✓	
Numerous community events and charitable initiatives will be hosted at the facility	✓	
Strong emphasis on encouraging local involvement with the arts	✓	
Partnerships with local school groups to provide field trips and educate around theater and the arts	✓	

1. ESTIMATE GROSS DIRECT SPENDING

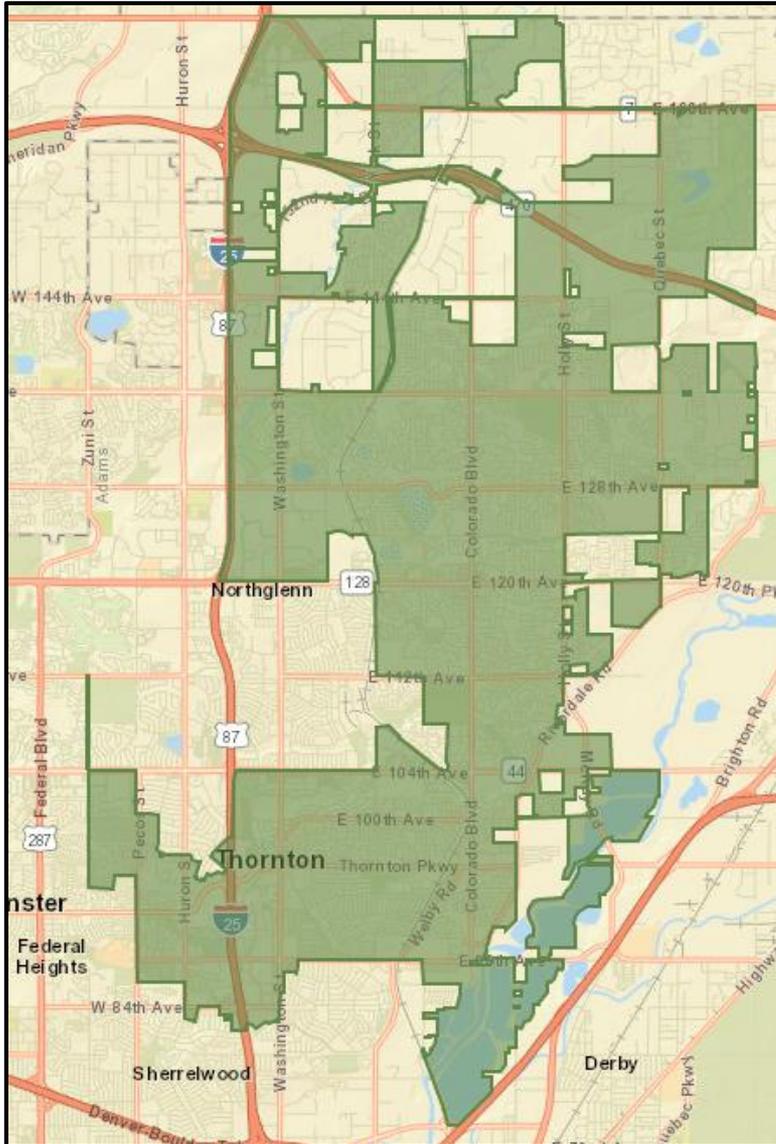
The first step in projecting the potential economic and fiscal impacts of a new revenue-generating theater is estimating the Gross Direct Spending activity that could occur due to both the one-time construction and ongoing operations of the facility.

Gross Direct Spending represents all of the direct spending that could be associated with the project, regardless of income source or spending location.

Primary Sources of Direct Spending from a New Revenue-Generating Theater

One-Time Construction Expenditures	Ongoing Facility Operations	
Supplies & Materials Labor Costs Service Fees	<i>In-Facility Revenues:</i> Rent and/or Gate Fees Event Revenues (Concerts, etc.) Concessions/Merchandise Sponsorships/Advertising	<i>Visitor Spending:</i> Lodging Restaurants Entertainment Retail Transportation

2. IDENTIFY “LOCAL” ECONOMY



For purposes of this study, Victus Advisors has been tasked with identifying the potential economic and fiscal impacts on the City of Thornton. Therefore, the local economy studied in this analysis is the physical area solely within the City limits of Thornton (as highlighted at left).

As described on the next page, “Net” Direct Spending only occurs when the spending source originates outside of City limits and occurs within the City’s limits, which most often occurs during events. Local rehearsals and performances typically do not drive economic impacts.

After estimating the “Gross” economic activity associated with event and entertainment facility development, Victus Advisors estimated the portion of Gross Direct Spending that could represent incremental (or “Net”) spending within the City’s economy. Net Direct Spending accounts for the phenomenon of “displacement”, as described below.

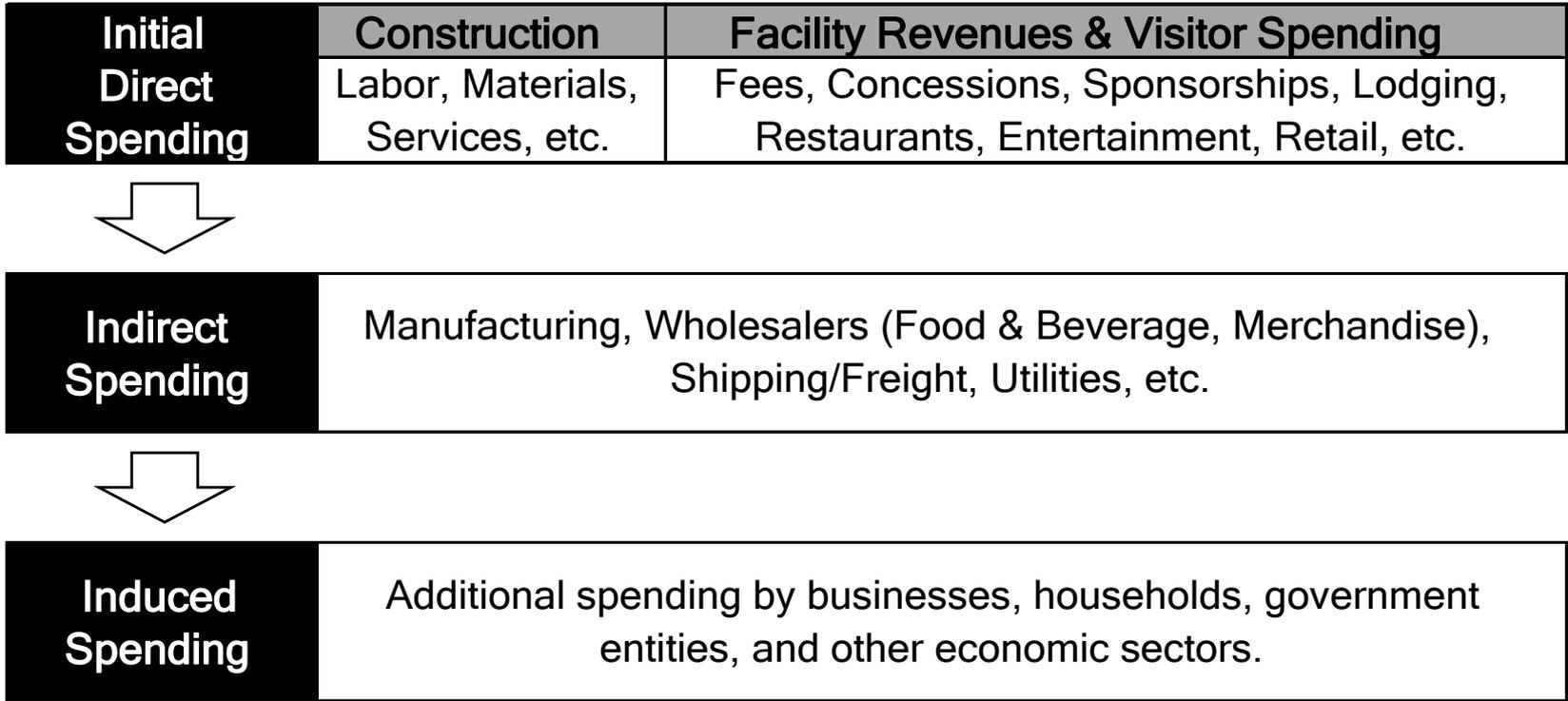
DISPLACEMENT is the economic principle that assumes a household (or business) entertainment and recreation budget would be spent within the local economy with or without development of a new event and entertainment venue.

For purposes of this study, we have assumed that local event spending would be displaced (i.e. spent elsewhere within the City of Thornton economy) without the presence of a new event and entertainment facility. Therefore...

NET IMPACTS will only include the estimated dollars spent within City limits by non-resident visitors & businesses who come for regional event activity.

4. THE MULTIPLIER EFFECT

Net Direct Spending that is captured in Thornton is subsequently re-spent, both inside and outside the local economy. The cumulative impact of the re-spending cycles that occur within Thornton City limits is called the “Multiplier Effect”.



4. THE MULTIPLIER EFFECT (CONT.)

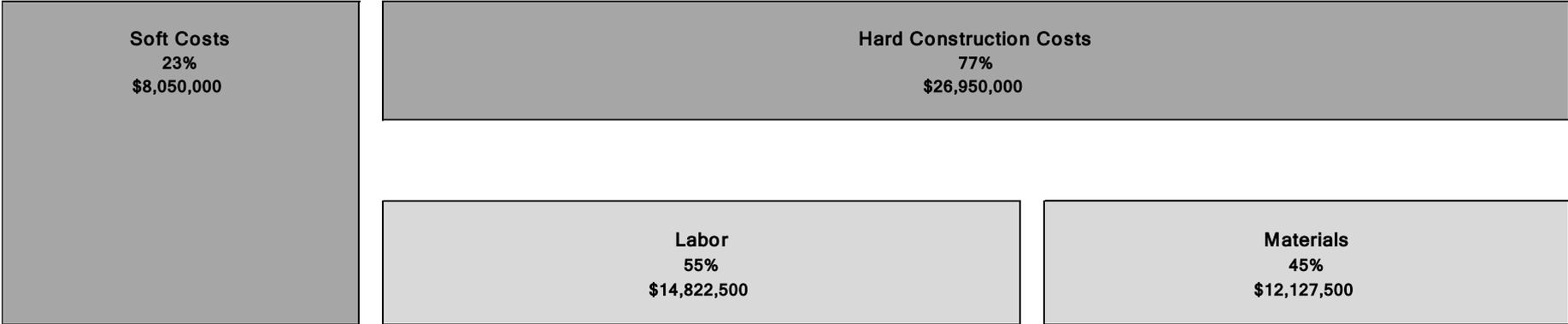
Victus Advisors utilized IMPLAN Multipliers specific to Thornton (shown below) to estimate the following Net Economic Impacts:

- **TOTAL OUTPUT** (direct, indirect & induced spending in the City of Thornton)
- **EMPLOYMENT** (full-time & part-time jobs in the City of Thornton)
- **LABOR INCOME** (salaries & wages associated with City of Thornton jobs)

IMPLAN MULTIPLIERS - THORNTON			
Industry	Total Output Multiplier	Employment Multiplier	Labor Income Multiplier
Construction - Non Residential	1.39330	0.8916 x 10 ⁻⁵	0.56690
Retail Stores	1.46360	2.5230 x 10 ⁻⁵	0.68801
Transit & Ground Passenger Transportation	1.42321	2.0929 x 10 ⁻⁵	0.56772
Performing Arts Companies	1.61514	2.1971 x 10 ⁻⁵	0.31843
Hotels & Motels, Including Casino Hotels	1.33296	1.3199 x 10 ⁻⁵	0.37921
Food Service & Drinking Places	1.42883	1.6592 x 10 ⁻⁵	0.60150

ONE TIME CONSTRUCTION IMPACTS:
 Based upon an estimated total construction cost of \$35 million, Victus Advisors estimates that approximately \$14.7 million of direct construction expenditures will occur within the City of Thornton.

**Estimated Total Development Cost
 \$35,000,000**



Local 45% \$3.6M	Non-Local 55% \$4.4M	Local 50% \$7,411,300	Non-Local 50% \$7,411,300	Local 30% \$3,638,300	Non-Local 70% \$8,489,300
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Note: "Local" refers to the City of Thornton. Spending % estimates developed based upon comparable projects.

ONE TIME CONSTRUCTION IMPACTS:
ECONOMIC IMPACT

ESTIMATED CONSTRUCTION SPENDING IN THORNTON

\$14,672,000



TOTAL ECONOMIC OUTPUT
\$20,442,531

EMPLOYMENT
131

WAGES
\$8,317,552

ONE TIME CONSTRUCTION IMPACTS:
FISCAL IMPACT

<u>Tax Type</u>	<u>Assessor</u>	<u>Tax Rate</u>	<u>Est. Tax Revenue</u>
Sales Tax	City	3.75%	\$75,738
Total Tax Revenue:			\$75,738

Note: Sales tax revenue above is only based on indirect/induced spending, as direct construction spending would not be taxable for a publicly-owned venue.

Victus Advisors estimates that direct one-time construction expenditures within the City of Thornton could generate over \$20.4 million in total economic output, more than 130 short-term jobs, and over \$8.3 million in wages.

In addition, it is estimated that indirect/induced spending related to construction spending could generate over \$75,000 in sales tax revenues.

Note: Represents one-time impacts of construction expenditures. Presented in 2019 dollars.

ONGOING IMPACTS OF OPERATIONS - ANNUAL IMPACTS:

After adjusting estimates of gross direct spending for displacement, it is estimated that approximately 60% of all spending associated with the annual operations of the proposed revenue-generating theater would have a net impact on the City of Thornton.

ESTIMATED GROSS DIRECT SPENDING ASSOCIATED WITH REVENUE-GENERATING THEATER

\$9,886,790

DISPLACEMENT
ADJUSTMENT

NET DIRECT SPENDING IMPACTING THORNTON

Estimated In-Facility Direct Spending (Net)	\$3,385,650
Estimated Out-of-Facility Direct Spending (Net)	\$2,552,040
Total Estimated Direct Spending - Net:	\$5,937,690
Net Spending as % of Gross:	60%

Note: "Gross" Direct Spending includes estimated spending occurring in all locations (not just Thornton by all visitors (including Thornton residents), whereas "Net" Direct Spending only accounts for spending occurring in Thornton by outside visitors to the City.

** Note: Represents annual spending, presented in 2019 dollars.*

ANNUAL IMPACTS (CONT.)

It is estimated that Net Direct Spending resulting from a new revenue-generating theater would generate over \$9.2 million in annual net economic output and 124 new full- and part-time jobs throughout the economy.

ANNUAL IMPACTS FROM OPERATIONS – GROSS VS. NET

GROSS DIRECT SPENDING ASSOCIATED WITH REVENUE-GENERATING THEATER
\$9,886,790



TOTAL ECONOMIC OUTPUT
\$15,330,400

EMPLOYMENT
206

WAGES
\$4,196,000

NET DIRECT SPENDING IN THORNTON
\$5,937,690



TOTAL ECONOMIC OUTPUT
\$9,205,000

EMPLOYMENT
124

WAGES
\$2,520,000

Note: Represents annual impacts. Presented in 2019 dollars.

It is estimated that the Performing Arts industry in Thornton would benefit the most from the annual arts tourism impacts of a new revenue-generating theater (59% of incremental output), followed by Food & Beverage (23%).

NET ANNUAL IMPACTS OF OPERATIONS - BY INDUSTRY

TOTAL OUTPUT:

Performing Arts	\$5,468,000	59%
Lodging	\$19,000	0%
Food & Beverage	\$2,115,000	23%
Shopping	\$619,000	7%
Entertainment	\$683,000	7%
Transportation	\$301,000	3%
TOTAL:	\$9,205,000	100%

EMPLOYMENT:

Performing Arts	74	60%
Lodging	0	0%
Food & Beverage	25	20%
Shopping	11	9%
Entertainment	9	8%
Transportation	4	4%
TOTAL:	124	100%

LABOR INCOME:

Performing Arts	\$1,078,000	43%
Lodging	\$5,000	0%
Food & Beverage	\$891,000	35%
Shopping	\$291,000	12%
Entertainment	\$135,000	5%
Transportation	\$120,000	5%
TOTAL:	\$2,520,000	100%

Note: Represents annual impacts. Presented in 2019 dollars.

It is estimated that a new revenue-generating theater in Thornton could generate over \$244,000 annually in incremental local tax revenue.

FISCAL IMPACTS OF OPERATIONS:
NET ANNUAL TAX REVENUE

<u>Tax Type</u>	<u>Assessor</u>	<u>Tax Rate</u>	<u>Est. Tax Revenue</u>
Sales Tax	City	3.75%	\$240,610
Room Rental Tax	City	7.00%	\$3,310
Lodging Tax	City	7.00%	\$980
Total - Incremental City Tax Revenues:			\$244,900

Note: Represents net annual tax revenues occurring within Thornton, presented in 2019 dollars. Sales tax based on direct, indirect & induced spending.

NET IMPACTS

TOTAL IMPACTS (NET)

Over a 30 year period, a new revenue-generating theater is estimated to have a total net impact of over \$458 million in cumulative net economic output and over \$11.7 million in net local sales, room rental, and hotel tax revenues.

<u>Year</u>	<u>Direct Spending</u>	<u>Total Output</u>	<u>Employment</u>	<u>Wages</u>	<u>Local Tax Revenue</u>
1	\$20,609,690	\$29,647,531	254	\$10,837,552	\$320,640
2	6,115,821	9,481,150	124	2,595,600	252,249
3	6,299,295	9,765,585	124	2,673,468	259,816
4	6,488,274	10,058,552	124	2,753,672	267,611
5	6,682,922	10,360,309	124	2,836,282	275,639
6	6,883,410	10,671,118	124	2,921,371	283,908
7	7,089,912	10,991,251	124	3,009,012	292,425
8	7,302,610	11,320,989	124	3,099,282	301,198
9	7,521,688	11,660,619	124	3,192,261	310,234
10	7,747,339	12,010,437	124	3,288,028	319,541
11	7,979,759	12,370,750	124	3,386,669	329,127
12	8,219,152	12,741,873	124	3,488,269	339,001
13	8,465,726	13,124,129	124	3,592,917	349,171
14	8,719,698	13,517,853	124	3,700,705	359,646
15	8,981,289	13,923,388	124	3,811,726	370,436
16	9,250,728	14,341,090	124	3,926,078	381,549
17	9,528,249	14,771,323	124	4,043,860	392,995
18	9,814,097	15,214,462	124	4,165,176	404,785
19	10,108,520	15,670,896	124	4,290,131	416,929
20	10,411,775	16,141,023	124	4,418,835	429,436
21	10,724,129	16,625,254	124	4,551,400	442,319
22	11,045,852	17,124,012	124	4,687,942	455,589
23	11,377,228	17,637,732	124	4,828,581	469,257
24	11,718,545	18,166,864	124	4,973,438	483,334
25	12,070,101	18,711,870	124	5,122,641	497,834
26	12,432,204	19,273,226	124	5,276,320	512,769
27	12,805,170	19,851,423	124	5,434,610	528,153
28	13,189,326	20,446,965	124	5,597,648	543,997
29	13,585,005	21,060,374	124	5,765,578	560,317
30	13,992,555	21,692,185	124	5,938,545	577,127
Cumulative Total:	\$297,160,000	\$458,374,000	124	\$128,208,000	\$11,727,000
Net Present Value:	\$163,518,000	\$251,281,000	n/a	\$71,408,000	\$6,235,000

Notes: For purposes of this calculation, construction spending was included in Year 1. Assumes 3% annual inflation. NPV was calculated based upon a 4% discount rate.



VICTUS ADVISORS LLC

2720 Homestead Road, Suite 130

Park City, Utah 84098

(435) 604-0874

info@victusadvisors.com